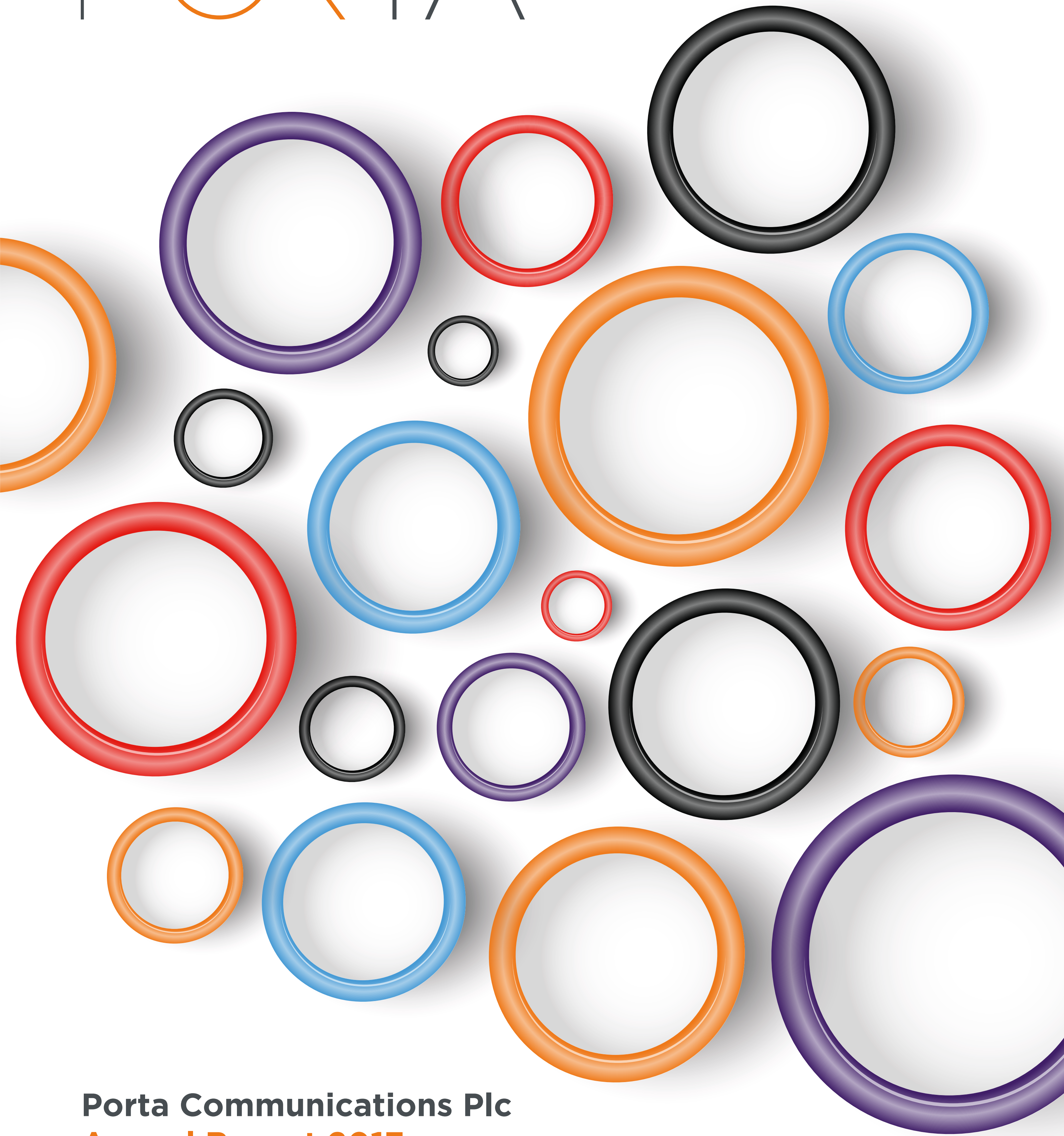
PORTA



Porta Communications Plc
Annual Report 2017

For the year ended 31 December 2017

Contents

Company Information

Directors:	John Foley Gene Golembiewski Steffan Williams Rhydian Bankes Fiorenzo Tagliabue Brian Tyson Emma Kane
Secretary:	Gene Golembiewski
Registered Office:	Sky Light City Tower 50 Basinghall Street London EC2V 5DE
Registered Number:	05353387 (Registered in England & Wales)
Auditors:	Grant Thornton UK LLP 4th Floor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Registrars:	SLC Registrars Limited 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Nominated Adviser:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Brokers:	N+1 Singer 1 Bartholomew Lane London EC2N 2AX
Solicitors:	Osborne Clarke LLP One London Wall London EC2Y 5EB
Bankers:	HSBC Bank Plc 9 The Boulevard Crawley West Sussex RH10 1UT
Company website:	www.portacomms.com

Highlights

Gross profit +15%

£34.2m

Organic gross profit growth[1]

+13.1%

Growth in client base

+7%

Reported EBITDA

£2.2m

Adjusted EBITDA

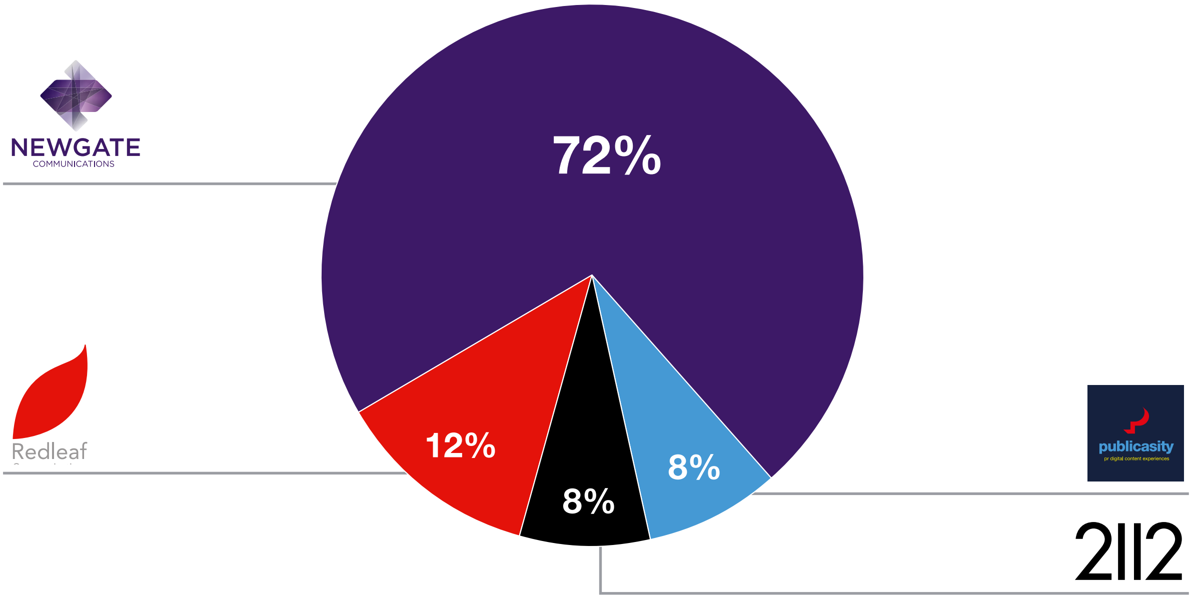
£2.8m

Adjusted pre-tax profit

£1.1m

[1] In constant currency terms.

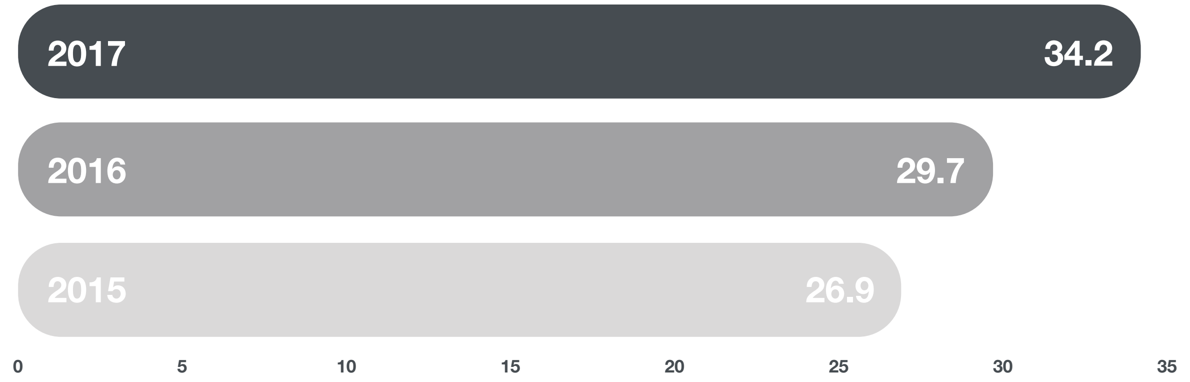
Gross Profit by brands



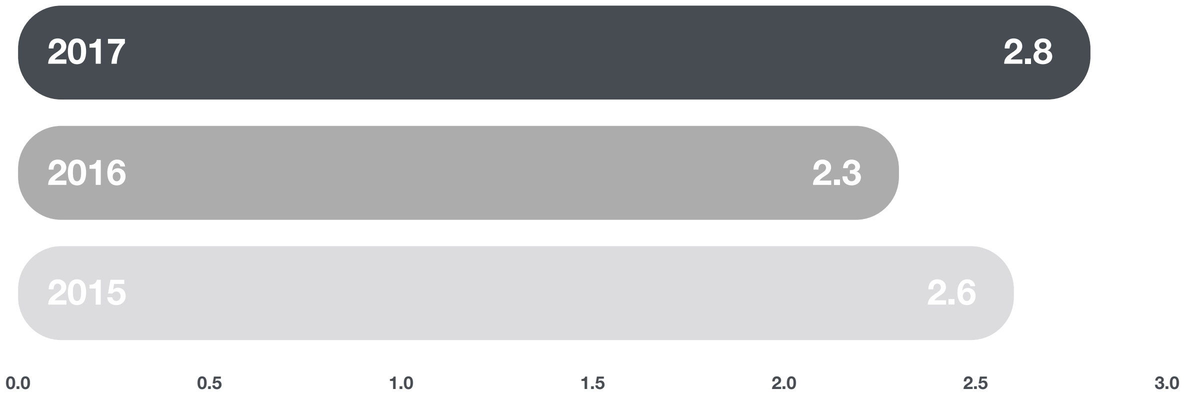
Gross Profit by Geographical Segment

	2017 (m)	2016 (m)	2015 (m)
UK	£18.7	£18.3	£18.1
EMEA	£0.2	£0.3	£0.3
Asia-Pacific	£15.3	£11.1	£8.5
	£34.2	£29.7	£26.9

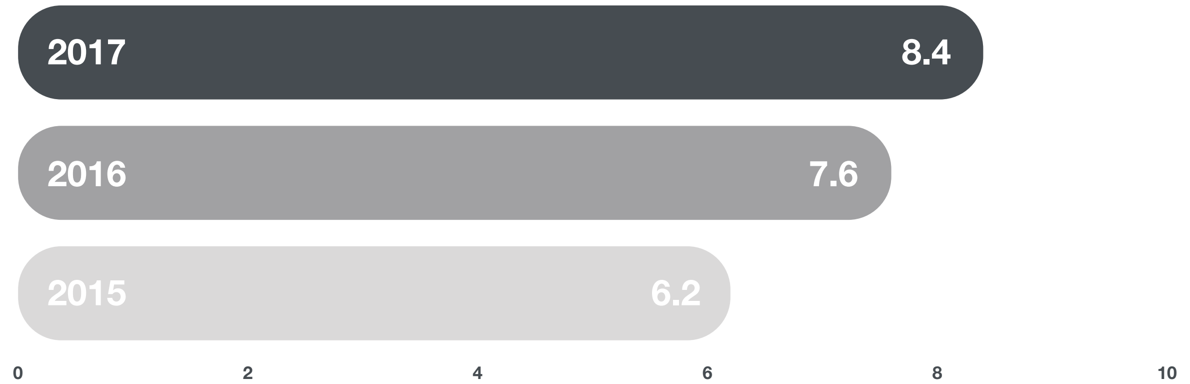
Gross Profit, £ million



Adjusted EBITDA, £ million



Net Debt. £ million



Chairman's Statement

For the year ended 31 December 2017

John Foley
Chairman

Introduction

Porta has made good progress in its underlying trading performance in 2017 delivering record levels of turnover and Adjusted EBITDA. In addition, the Group's balance sheet was strengthened by the £3m strategic equity investment from SEC S.p.A. ("SEC") and the signing of a £3.3m Revolving Credit Facility with Clydesdale Bank ("RCF"). Furthermore, the Group Board has been strengthened by a number of key appointments so that Porta can move forward to deliver profitable growth during the next stages of its development.

Financial overview

Revenue of £40.3m was 8% higher than the previous year (2016: £37.1m). Gross profit increased by 15% to £34.2m (2016: £29.7m). Adjusted EBITDA increased by 20% to £2.8m (2016: £2.3m). Reported EBITDA increased by 178% to £2.2m (2016: £0.8m). This growth was especially satisfying since it was all organic growth as no acquisition effects are relevant to the year ended 31 December 2017.

The loss before taxation of £3.0m (2016: loss of £5.1m) was partly the result of high finance expense charges (£1.5m); the £3m equity raise and the signing of the RCF have enabled the Group to refinance its existing debt balance with Hawk Investment Holdings Limited and Retro Grand Limited ("Hawk and Retro Grand") at a reduced interest rate of 8%, down from 12.8% and 12% respectively. Balances owed to Hawk and Retro Grand at 31 December 2017 were £3.5m and £5.2m respectively (31 December 2016: £3.4m and £5.8m respectively).

The Board has undertaken a full review of carrying values of subsidiaries and associates at 31 December 2017 and considered that impairment charges of £1.4m were required. The majority of this charge is attributable to the closing down of the loss making 13 Communications Limited and a decision to reduce to nil the Group's investment in Capital Access Group Limited. Restructuring costs of £0.6m were incurred as a result of the necessary restructuring of Porta's UK businesses so that its cost base is more appropriate for the current size of its activities; we have exited the unprofitable activities in Newgate Communications Limited's geopolitical and brand practices.

The loss per share on continuing operations was 1.4 pence (2016: loss of 2.1 pence) and no dividends were paid or declared in respect of the years ended 31 December 2017 or 31 December 2016.

Operational review

The financial performances of Newgate Australia, Newgate Singapore, Newgate Hong Kong, Redleaf Communications, Publicasity and 2112 were all either excellent or much improved during the year.

Newgate Australia, in only its fourth year as an operating business, is now a leading integrated communications business in Australia. It developed two new business lines in 2017 including a dedicated digital practice and an employee communications offering. Newgate Singapore had a record year and was top of the Mergermarket's ranking of M&A communications advisers across the Asia-Pacific (ex Japan) region. Newgate Hong Kong's expanding management team has moved to larger offices and a new Shanghai office was opened in March 2018. Redleaf Communications now acts for 132 clients on a retained and project basis. The 2016 restructuring of the cost base at 2112 resulted in a much improved EBITDA performance in 2017.

The Group's other UK businesses are not yet producing satisfactory levels of financial performance and decisions have been taken and implemented to reduce the cost base of the businesses based at the Group's UK head office in 50 Basinghall Street by approximately £1.9m on an ongoing annual basis at current activity levels. The rebranding of PPS Group as Newgate Engage to offer property and planning expertise within the UK took place during the year and is already producing improved financial performance. In addition the Group's CFO has led a programme to overhaul and improve the Group's financial and reporting systems so that reporting of key performance indicators and financial information is consistently made across the entire Group.

The cash performance of the Group during 2017 was satisfactory and is explained in detail in the CFO's Review. Creditor levels which were previously stretched prior to the £3m equity investment received in August 2017 are now at normal levels and the increase in the Group's working capital is consistent with the reported increase in activity levels.

Strategy

Porta was established to become a market-leading international marketing and communications group. The Group made a significant number of acquisitions and was bold enough to enter into a number of "start ups" to achieve this goal.

Porta already contains a number of businesses which are market leading and produce excellent financial results. The recent Board changes (described below) show that the Board's immediate focus is to ensure that further progress is made in all areas to create a Group which can deliver performance which both supports the original vision and justifies the considerable financial investment which has been incurred.

The strategic investment made by SEC offers both Porta and SEC the chance to create an appropriate and successful collaboration. Detailed work on the form of that collaboration is ongoing.

Board changes

The Board's executive management team consists of Emma Kane, Brian Tyson, Rhydian Bankes and Gene Golembiewski. Brian was appointed to the Board on 1 November 2017 and is the Managing Partner of Newgate Australia, the largest and most profitable business in Porta. Emma became a Board member on 26 April 2018. She founded and then led Redleaf Communications to become a respected and market leading marketing and communications business in the UK and will now have responsibility to combine Porta's two largest UK-based communications businesses, Newgate and Redleaf, and to lead the enlarged agency as its Chief Executive.

The Board has asked Emma and Brian to become its Joint Chief Executive Officers for the next stage in the development of the Group. They will lead the Board's executive management team together with Rhydian and Gene who both played key roles during 2017 to strengthen the Group's balance sheet and improve the Group's control environment and reporting structures.

Steffan Williams, who was previously the Group's Chief Executive Officer, has left the Group with immediate effect and will cease to be a director of Porta on or before 5 May 2018.

People

On behalf of the Board I would like to thank all our employees for their commitment, enthusiasm and hard work.

Corporate Governance

The board is of the opinion that the measures of governance in place within the Group are appropriate for its size.

Outlook

The first half of 2018 will be a period of further consolidation of the cost base and operating structures of the UK businesses and this will adversely affect revenue and profits during that period. The Board is confident that the Group is now better positioned as a result of actions taken in 2017 which began to address the Group's weakened balance sheet and has identified an appropriate senior management structure at Board level to take the Group forward. The Group is now led by experienced and proven leaders who are actively involved with their senior colleagues in the development of an operational strategy to deliver long term, profitable growth.

John Foley
Chairman

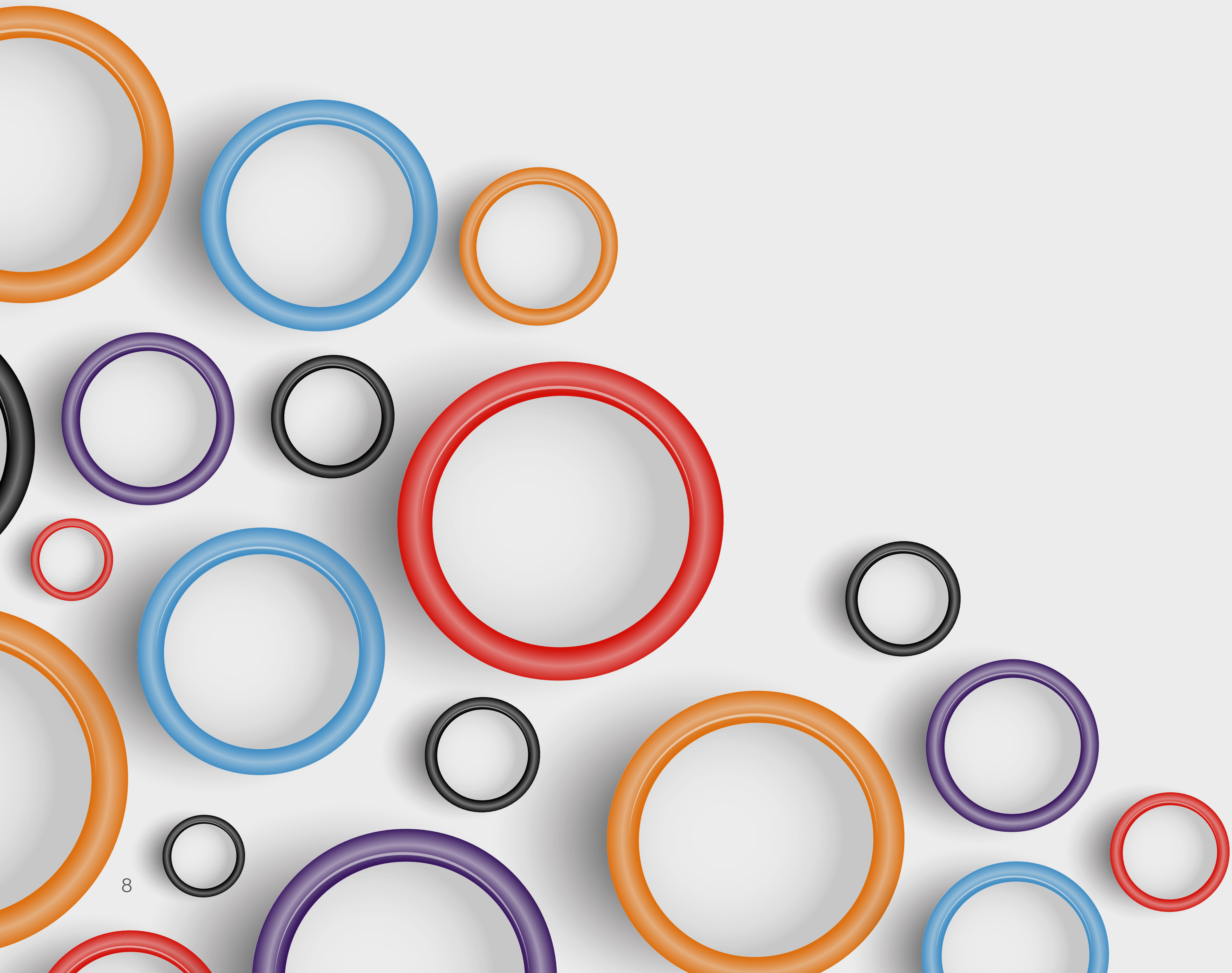
27 April 2018

Group Overview

Who we are

Porta Communications was founded in 2010 with the intention of quickly building an integrated global communications business through organic growth and by talent acquisition.

Today we are an international communications and marketing business in five countries.



Our Objectives

Continue to develop our integrated model within our equity partnership structure

Manage our group companies to drive revenue and reduce costs

Promote a culture for talent attraction and retention

Consider strategic developments that add value and accelerate growth

PORTA

Our Strategy

Build an integrated international communications and marketing group…

… with individual strengths driven by common purpose

1. Attract and develop people with the strategic and executional skills to respond to ever-rapid change
2. Help companies achieve their business objectives through strategic communications
3. Target ambitious companies that are challenging the status-quo and transforming their industries
4. Increase opportunities with our client base by cross-selling regionally, internationally and across disciplines

Help clients to communicate more effectively as:

- Media becomes increasing fragmented and digital
- Influential individuals and groups have the power to create opinion instantly in the digital world
- Regulatory oversight becomes ever-more rigorous
- Expectations of good corporate citizenship are a given
- Stakeholder groups campaign globally to challenge companies in all their markets
- Free trade and open markets come under threat

Our Values

Our values guide our actions and behaviours. They influence the way we work with each other, treat our shareholders, customers, suppliers and the way we engage with our communities. We use the same principles in our business across all international locations to help us make right choices and fair decisions.

Our Purpose

Bringing good people together

- to meet our clients' demands and global ambitions
- to build a world class business
- to deliver maximum shareholder value

Our Vision

Attract and develop the best talent, building a world-class marketing services platform offering clients integrated communications solutions globally.

Business Performance Review

For the year ended 31 December 2017

NEWGATE
COMMUNICATIONS

Newgate UK

Overview

2017 saw Newgate UK ("the Company") clarify its offering with the rebranding of PPS Group as Newgate Engage, one of its six practice groups. The year was characterised by a series of significant new business wins secured by the Company's ability to manage complex issues and situations by bringing together a range of skills on a national and regional basis. The Company focused on one goal – helping our clients achieve their business objectives.

Key financial highlights

Although the Company made progress operationally its financial performance was disappointing overall.

- Total Gross Profit down 0.2%
- Operating costs up 11%
- Reported EBITDA down 427%
- Adjusted EBITDA down 182%

The bulk of the operating cost increase was in employment costs, which increased by 22% from 2016, but ultimately did not deliver the required level of Gross Profit to justify the increase. As a result of this, an in-depth review of the business commenced in Q4 2017 and to date annualised costs of £1.6m, being 22% of 2017's employment costs, have been stripped out of the business, with a comparatively immaterial loss of Gross Profit, and hence dramatically improving the Company's performance to date.

Case studies and trading overview

Newgate UK devised and delivered an integrated financial, corporate and public policy communications programme in support of the acquisition of UK chip maker, Imagination Technologies, by private equity firm Canyon Bridge. This £550 million transaction required Newgate UK to navigate a sensitive political and regulatory environment as Imagination Technologies was regarded as a UK technology leader and Canyon Bridge is backed by the Chinese Government. With the UK's M&A landscape becoming increasingly politicised and public policy factors playing an ever more important part in M&A and cross-border transactions, Newgate UK took a proactive approach with policymakers and media commentators, with careful consideration given to who to engage with, when to approach, and what to say.

The Imagination Technologies acquisition was one of the 34 deals worth $41 billion that the Newgate Communications network globally advised and supported in the year. Others included Sompo Holdings' disposal of Canopius for $952m; the IPOs of Gordon Dadds, K3 Capital Group and Impact Healthcare REIT; and the equity/debt raises for Atalaya Mining, Round Hill Capital and Tritax Big Box REIT.

Newgate UK won a newly created, wide-ranging brief with 130-year old British bread maker Hovis. The assignment was to manage Hovis' corporate and financial PR, public affairs, as well as providing senior communications advice and press office support in the UK.

Newgate UK continues to be well-known for its work with trustees of major pension funds, providing strategic advice to help them manage and navigate complexity. In the year, Newgate UK advised the British Steel Pension Scheme, during one of the UK's largest-ever consultation exercises, as it separated from Tata Steel UK. In 2017, Newgate UK advised six FTSE 100 pension schemes.

At the end of the year, Newgate UK was appointed by ESB, the publicly-owned Irish utility to support its expansion plans in the UK. The Company's work will include corporate and consumer campaigns as well as public affairs and will partner with Porta sister company, Publicasity, to provide a complete communications approach. Newgate UK is also working with sister company, Redleaf, providing public affairs consultancy to Countryside Group.

The Company's cross-border activities expanded during the year as it was appointed by Capco, the global business and technology consultancy that specialises in financial services. The Company also worked with the G20 initiative, Global Infrastructure Hub, to launch its Global Infrastructure Outlook which forecast the infrastructure spending needs and gap in 50 countries across 7 sectors till 2040. Newgate companies and its affiliates positioned this new interactive tool as a comprehensive guide for governments and businesses around the world.

Engage's property and planning expertise resulted in a series of significant wins within the house building sector. Following a competitive pitch, the practice won a two-year public relations and public affairs contract to support Radian, one of the largest registered providers in the south of England. Engage's brief was to increase media engagement to help raise Radian's profile with key stakeholders, as well as building and maintaining Radian's reputation amongst MPs and the councils in which it operates. At the same time, Galliford Try Partnerships, one of the UK's leading regeneration specialists, brought Engage on board to assist with corporate reputation and national PR, and towards the end of the year, Engage's London and Bristol teams were appointed to work with Mott Macdonald Sweco to help Highways England deliver two road projects requiring development consent orders in the south-west of England.

Helping to deliver planning consent for clients is the core activity of Engage. Of the many consents achieved in 2017, one of the most notable was for National Grid and IFA2, which will connect the electricity systems of Great Britain and France using high voltage subsea cables from Normandy to Hampshire. Explaining how the technology would work was as important as convincing on design and construction.

Creativity and the increasing use of digital channels are central to Newgate's work. Innovative developer Capital & Centric prides itself on its ability to create, future-facing living and working spaces and wanted a communications campaign to match its thought-provoking, challenging brand aspirations. Newgate Engage Manchester was appointed on the strength of its fresh ideas and understanding of a new generation of homeowners and workers.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2017

Newgate Australia

Overview

Newgate Australia ("the Company") marked its fourth year as an operating business in 2017 and enjoyed another very strong year of growth, further cementing its position as the leading integrated communications company in the Australian market.

Key financial highlights

The Company growth has continued to be organic with the key to success being the integrated communications offering of financial and corporate communications, public affairs, Newgate Research and Newgate Engage. The company also developed two new business/product lines including a dedicated Digital Practice and an Employee communications offering.

- Total Gross Profit up 31%
- Operating costs up 31%
- Reported EBITDA up 30%
- Adjusted EBITDA up 30%

Over the 12 months, with the increases noted above, staff numbers rose from 68 to 90 across offices in Sydney, Melbourne, Canberra, Brisbane and Perth.

Case studies and trading overview

Project highlights for the year include continued intensive work across, research, public affairs, financial and corporate communications as well as community engagement work around a host of Government transport projects. In particular Sydney but increasingly so, Melbourne and Brisbane, are embarking on major transport and infrastructure projects including the Metro Train project in Sydney, Sydney and Parramatta Light Rail, Cross River Rail in Brisbane and the Melbourne Metro project. These projects are truly city-shaping and will continue for some years to come.

It was a significant year for the Australian business as it undertook its first role advising on a major defence tender brief for German shipbuilding firm Luerssen. This was a high profile and highly competitive tender for the construction of 12 offshore patrol vessels at an estimated value of AUD 3 billion. The win has set up the business in Australia to pursue new opportunities in the defence contracting tender space with some AUD 50 billion worth of major contracts in the pipeline over the next decade. The Company was also selected to provide advice to Australia's iconic hydro electricity generator and energy company, Snowy Hydro on government plans to develop "Snowy 2.0", a proposed new 2,000MW hydro-electric power station at a construction value at AUD 4 billion.

Corporate reputation has become an increasingly critical element driving business performance around the world. The social licence to operate is much at play in Australia and the Company has been heavily engaged by a number of major blue-chip clients in the financial services sector in particular (including banking, superannuation and insurance clients) to assist them in preparing for a Royal Commission into the sector that is now underway in Australia.

The cost of living, in particular the cost of energy, is another major political issue in Australia as the country grapples with its transition from fossil fuel to renewable energy sources. This has created significant upheaval in the energy sector and the Company has been engaged in assisting clients right across the spectrum from generators, through to network providers and retailers as they manage the fallout from the biggest shift in energy policy in decades.

Post year end, the Commonwealth Games were held on the Gold Coast in Queensland in April 2018. This major global sporting event ran for ten days and the Newgate Australia team was engaged to assist with media and issues management as well as corporate positioning during the countdown.

The Company's major pro-bono clients for the year included The Clontarf Foundation, which works to attract and keep indigenous boys at school and is now operating in 80+ schools across Australia; Thrive, a newly launched venture that offers micro-finance for refugees hoping to start up a business; as well as Ovarian Cancer Australia and Rare Cancers Australia.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2017

Newgate Singapore

Overview

2017 was a record year for Newgate Singapore ("the Company"), reflected in its numbers and prominence in the market place.

Key financial highlights

- Total Gross Profit up 33%
- Operating costs up 21%
- Reported EBITDA up 72%
- Adjusted EBITDA up 72%

Case studies and trading overview

The Company's corporate communications practice saw it advising long-standing clients across a greater number of Southeast Asia and North Asia jurisdictions than in the past, working with on-the-ground partner agencies in some instances. Building on a trend that started in the previous year, the Company continued to advise on commercial disputes and corporate governance matters, as well as provide litigation support for legal cases.

The Company's financial communications practice had its busiest year ever, further strengthening its position as the number one advisor on capital markets transactions in Singapore. During 2017, the Company advised on 14 M&A transactions worth around SGD 30 billion in value, an increase of 50% over 2016. This included the large and high-profile deals, such as the privatisations of Croesus Retail Trust by Blackstone, of CWT by HNA, and of Super Group by JDE. The Company also advised on the SGD 15.8 billion privatisation of Global Logistic Properties, one of the largest transactions in Singapore history.

These transactions helped propel Newgate Communications to the top of Mergermarket's ranking of M&A communications advisors across the Asia-Pacific ex-Japan region during the year.

Newgate Hong Kong and China

Overview

As indicated in the report for the year ended December 2016, an upswing in activity served Newgate Hong Kong and China ("the Company") well as it entered 2017, with numerous new project and retained client wins throughout the year.

Key financial highlights

Revenues for the year were ahead of 2016 and the business delivered a PBT margin of 20%, a significant increase on the prior year.

- Total Gross Profit up 5%
- Operating costs down 16%
- Reported EBITDA up 4,123% (HKD 2,509,967)
- Adjusted EBITDA up 2,056% (HKD 2,451,603)

Case studies and trading overview

During the year the Company was pleased to be recognised by numerous publications for its work:

- Newgate Hong Kong was a finalist in the 2017 Holmes Report APAC SABRE Awards for Best Financial Communications Campaign for its project work for AIG
- As a firm across APAC in 2017, Newgate was ranked third by value of transactions by Mergermarket for its M&A communications work
- Towards the end of the year, Newgate was one of three finalists in the PublicAffairsAsia Gold Standard Awards for APAC Regional Consultancy of the year

In Hong Kong and China, notable new mandates included work for Alvarez & Marsal, Asia Alternatives, Blue Ocean Capital, Canyon Bridge, Charles Monat Associates, Duke Kunshan University, Elliott Advisors, First Origin, Global Infrastructure Hub, Hillhouse, HKX, TR Capital, Yingde Gases and ZZCI.

The development of the Company's FinTech practice gathers pace, securing work for a number of project-based clients across the insure-tech, reg-tech, SME financing and cryptocurrency arena.

Additionally, the Company continues to build its social media capabilities as an integral part of its service offering, with further client projects secured.

In Hong Kong the Company continues to provide pro bono advice to organisations which aim to make a sustainable improvement to the city. These include energy-efficiency company Blue Sky and education group Teach4HK.

Beyond Hong Kong, the Company successfully referred a number of projects for existing clients to Newgate's offices in Singapore, Australia and London, as well as to its network partners in the US, Europe and other parts of Asia.

The Company is well set for continued growth in 2018. The year has started with a number of significant mandate wins, including the privatisation of Pou Sheng, and a global communications mandate for Chinese internet services and smartphone manufacturer, Xiaomi. Other projects include the launch of a new NewLaw firm, Cognatio Law, the acquisition of a major Hong Kong kindergarten group by global education firm Cognita Schools, as well as corporate communications work for Chinese private equity firm Nio Capital.

The Company continues to grow in Greater China with the opening of a new Shanghai office in early March 2018. Furthermore, the Hong Kong office will be moving to new larger premises by mid-year to accommodate its expanding team.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2017

Newgate Abu Dhabi

Overview

Newgate Abu Dhabi ("the Company"), in its third year as part of the Porta Group, had to contend with very difficult economic conditions.

Key financial highlights

Whilst the Company had a strong end to the year with the winning of a retained mandate from The Central Bank of the UAE, as noted in the trading overview, trading conditions in the year proved to be challenging.

- Total Gross Profit down 31%
- Operating costs down 14%
- Reported EBITDA down 309%
- Adjusted EBITDA down 309%

Case studies and trading overview

Departmental budgets were forced to be re-assessed early in the year and projects put on hold due to a continuing localised recession in which most government departments and semi-government entities had their budgets severely cut partially as a result of regional tensions.

This impacted the Company's revenue and profitability and meant significant cost reductions had to be introduced to enable the company to withstand the very challenging trading conditions.

During the year, the Company continued its work on The Higher Corporation for Specialised Economic Zones, ZonesCorp and, as part of its strategy to maintain a more equitable balance between public and private sector work, secured mandates from The Communications Regulatory Authority in Qatar – CRA.

Redleaf

Overview

During 2017, Redleaf acted for 132 clients on a retained and project basis. Its top ten clients accounted for 32% of its revenues and no individual client represented more than 5% of its revenues.

The Agency is organised into four teams to reflect core areas of expertise: Capital Markets, Professional & Financial Services, Property, and Corporate. However, a significant amount of cross-team collaboration enables Redleaf to offer its clients best-in-class, integrated advice, whatever the communications challenge. The Agency's services are structured around four core disciplines:

- **Capabilities** – helping its clients develop their own communications and marketing capabilities to achieve their commercial objectives.
- **Strategy** – advising its clients of the best strategies to achieve their commercial objectives.
- **Stakeholder Communication** – engagement of different range of stakeholders using a variety of strategies and techniques to achieve their commercial objectives.
- **Content and Thought Leadership** – the creation of ideas and content to engage the stakeholder audience and to achieve their commercial objectives.

2017 was a year of significant investment in the senior members of the team which impacted short-term profitability but was a strategic decision which has already delivered measurable results.

Key financial highlights

2017 was a record year in the 17-year history of the Agency both in terms of gross profit and fee income which exceeded £4m for the first time, and the Company outperformed against all internal KPIs.

The financial highlights of the year delivered by the Redleaf team were:

- Total Gross Profit up 9%
- Operating costs up 14%
- Reported EBITDA down 3%
- Adjusted EBITDA down 6%

Case studies and trading overview

During the year, the Corporate team was created to bring together a number of individuals with specialist skills to provide clients with a dedicated team delivering:

- Digital communications management
- Issues/Crisis communications
- Broadcast media communications
- Media campaigns
- Thought leadership campaigns

2017 was a highly successful year for the Redleaf property team ("PROP"). PROP won a number of new clients including Countryside Properties, APAM, Cycas Hospitality and BizSpace.

PROP launched a new 'brand partnerships' offering and expanded its digital engagement team, working with brands to identify and engage with consumer audiences in the UK and internationally. Brand partnerships' activities included an ultra-high-end champagne experience at the Fitzroy Place penthouse and organising a major conference surrounding regeneration and place-making. PROP also delivered a series of highly popular talks such as 'Building Brands in the Private Rented Sector' in conjunction with one of the leading property industry magazines.

Redleaf's property team is well positioned for growth over the coming year and has continued its investment in its senior management team.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2017

During the year, the Capital Markets team ("CM") appointed a new leadership team and expanded its number of senior advisers; this investment has revitalized CM and also led to the development of an enhanced offering.

CM was appointed to advise six additional companies and worked to support the launch of FTSE 250 Stobart Group's Carlisle Lake District Airport, and in supporting the global communications campaign for PureCircle which entered the FTSE 250. CM worked on a number of M&A transactions such as acting for Patron Capital and Heineken in their successful £1.8bn acquisition of Punch Taverns plc.

Of note during the year were the large number of accolades through industry awards including:

- Silver Award with our client PROACTIS Holdings for the Best Management of Investor and Analyst Relations in the Communicate Corporate & Financial Awards 2017
- Shortlisted for the UK Stock Market Awards 2017
- Shortlisted for Best PR Consultancy in the Communicate Corporate & Financial Awards 2017
- Shortlisted in the PR Company of the Year category in the Grant Thornton Quoted Company Awards 2018

During the period, the Professional and Financial Services team ("PFS") worked with a wide range of major financial institutions, challenger brands and FinTech companies. New client briefs included Covestro, Defaqto, Currencies Direct and WHIreland.

Included in PFS' activity was a significant amount of special project work surrounding the creation of crisis management communications strategies for a number of financial services clients focusing on areas such as cyber-attacks. The team also delivered a number of seminars for its clients and key contacts including 'Crisis Communications in the Digital Age'.

PFS also acted on a number of major product launches and transactions including supporting VocaLink in its £700m sale to Mastercard.

The CSR team provided pro-bono communications advice to a number of charities and also raised funds through team initiatives such as entering a Redleaf "family" team for the Target Ovarian Cancer Walk in London's Queen Elizabeth Olympic Park.

Publicasity

Overview

Publicasity ("the Company") delivered another strong 2017 financial performance despite an increasingly competitive consumer PR sector and the end of some of its long-standing client tenure from its portfolio of consumer brands.

Key financial highlights

Another strong financial delivery by Publicasity in 2017, with much of the EBITDA growth being driven by tighter control of operating costs as opposed to improved margins.

- Total Gross Profit down 8%
- Operating costs down 14%
- Reported EBITDA up 20%
- Adjusted EBITDA up 20%

The top ten clients represented 86% of total income, with no one individual client representing more than 15%. The Company continued to demonstrate strong organic growth.

Case studies and trading overview

2017 saw the introduction of Tesco into the Publicasity portfolio, specifically with the brief to raise the profile of its clothing range. This client also requires outreach in Central Europe ("CE") working in partnership with a number of European agencies to drive consumers' purchase habits from an impulse buy whilst grocery shopping to positioning Tesco as a destination store for mainstream fashion. Publicasity fought off the large agency global networks to win this client with a bespoke and personalised client services promise, based on market specific intelligence versus a global toolkit approach.

Publicasity also began a new business strategy to branch out into sub sectors of its core sector specialisms, breaking into the health & wellbeing sector with Volac International, to launch its first dairy protein smoothie, Upbeat, along with beauty brand Imedeen, part of the Pfizer group. There was also a return to the financial services sector with Profile Pensions – all of which were project clients and now continue into 2018.

The Company continued to offer clients an integrated suite of communications services, dominated by traditional PR media relations but an increasing volume of work in the digital sphere, creating content and high profile brand events, some where Publicasity employed the latest augmented reality (AR) and virtual reality (VR) technology to bring brands to life in front of the target consumer.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2017

Key Assignments & Creative Campaigns

Tesco F&F

The SS18 collection for Tesco F&F was launched at The Vinyl Factory, London in November '17. Showcasing the complete range of womenswear, menswear, kids, baby, accessories and swimwear, the venue's open space was transformed into a forum for fashion, with a rainbow themed area for kids, a denim bar complete with DJ, and a flower wall embellished bright space for womenswear.

Publicasity hosted over 160 journalists throughout the day with top-tier fashion & lifestyle press across the UK media landscape: glossies, nationals, weeklies, supplements and broadcast. Contacts from top targets: Stylist, Grazia, The Sunday Times Style, Drapers, YOU, LOOK, Daily Mail and more came through the doors for their sneak preview of the F&F spring summer fashion collection.

For CE markets, Publicasity hosted journalists and influencers from the Czech Republic, Hungary, Poland and Slovakia in London for a 24-hour fashion bonanza. The night before the summer showcase, the Ace Hotel was turned into a winter wonderland for a three-course meal hosted amongst faux fur, autumnal wreaths and trees adorned with fairy lights to frame the Christmas collection currently in-store. The day after their immersive dinner, guests were fast-tracked to summertime with a preview of the key collections for each CE market.

Bosch – A walk through water but stay perfect(ly) dry?

Publicasity launched the new Bosch PerfectDry dishwasher with the brief to communicate that it leaves dishes, pots, pans, glassware and even plastics completely dry and cupboard ready, after every single wash. These key product messages were brought to life with an experience where you could immerse yourself in the PerfectDry technology – by walking through water, but staying perfect(ly) dry!

Hosted on Southbank for three days, measuring 50 times larger than an average dishwasher, we created the world's largest ever 'dishwasher'. If it had been real, this machine was big enough to clean 7,500 items and enough place settings to serve 650 people. Using 2,000 litres of recycled water falling at a rate of 44 litres per minute, a wall of water fell from the inside ceiling of the 'dishwasher'. As visitors tentatively walked towards the liquid-curtain, state-of-the art motion sensors responded to their presence, automatically stopping the flow as they stepped through, letting them emerge on the other side, totally dry.

National media coverage was achieved as well as nearly 3,000 visitors experiencing the PerfectDry dishwasher. Plus a social media campaign and promotion #PerfectDry delivered almost 400,000 impressions via Facebook and Twitter across 72 hours. This campaign also has been shortlisted for two industry awards, winning second prize at the Eventex Global Event Awards for 'Best Interactive Outdoor Event.'

2112

2112 Communications

Overview

2017 was a year of consolidation and growth for 2112 Communications ("the Company" or "2112"). The Company cemented its position as a challenger to both the established financial specialists and large West End shops.

During 2017, 2112 strengthened its team in the required areas, and its trading represented a significant positive turnaround of the business financials from previous years.

Key financial highlights

The restructuring of the business that occurred in Q4 2016 had a dramatically positive effect on not only the quality of the work, but also unsurprisingly the Company's financials.

- Total Gross Profit down 1%
- Operating costs down 27%
- Reported EBITDA up 175%
- Adjusted EBITDA up 354%

With the more streamlined team and offering, the Company set itself strong foundations for continued growth into 2018.

Case studies and trading overview

BNY Mellon continues to be the Company's biggest client. 2112 work with them in the UK, EMEA and APAC regions on a multitude of projects. The Company's data visualisation work for BNY Mellon's weekly, topical email, MarketEye won Content Marketing Campaign of the Year at the 2017 annual Marketing and Innovation Awards.

For Hermes Investment Management, 2112 launched a new brand positioning, 'Outcomes Beyond Performance', to reflect their commitment to responsible investing. This was accompanied by a new visual identity which the Company has applied across all communications material.

Miton Investment Management became a client at the beginning of the year. The first project was an integrated advertising campaign for the launch of their Infrastructure Fund. Most recently, 2112 designed and built their new website, which was launched in December.

The Company's relationship with Legal & General Investment Management grew with engagements across a range of their business areas; producing videos, website design, and digital strategy for Real Assets, DC Pensions, Direct to Consumer, and Fund Management.

iKube is the car insurance brand of Towergate Insurance. Targeting young drivers, 2112 redesigned the brand identity to make it more audience appropriate and designed and built a new website.

CivilisedBank is a new challenger bank targeting SMEs. The Company is working closely with CivilisedBank to bring the bank to launch at the beginning of 2019. 2112 is currently designing and building the customer facing website.

Group Chief Financial Officer's Review

For the year ended 31 December 2017

Rhydian Bankes
Chief Financial Officer

During the year ended 31 December 2017, the Group entered the next stage of its financial evolution, with a number of material, positive milestones achieved. Porta ("the Company") restructured its major debt obligations with Hawk and Retro Grand, replaced its discounting facility from Bank Leumi with a £3.3m Revolving Credit Facility ("RCF") from Clydesdale, and raised £3m from a strategic investor. These important steps were achieved whilst maintaining headline growth and improving the operating systems across the Group, creating stronger foundations.

PBT and EBITDA Performance

PBT demonstrates a £2m positive shift, representing a 40% improvement in FY17, due to both stronger underlying performance of the Group as well as lower impairment charges in 2017.

Reported EBITDA of £2.2m represents an increase of 178% (2016: £0.78m), and the strongest Reported EBITDA of the Group to date, from the previous 2015 high of £1.1m. Similarly, on a constant currency basis (with adjustments for closed businesses, namely Summit) EBITDA has grown 208%.

A number of the Group entities produced strong positive results in the year. However, standout growth was from Newgate Australia with an EBITDA increase against the comparative period of 40% (or 30% on a constant currency basis), and 2112 Communications ("2112"), which after a number of loss making years since inception, went through a significant restructuring at the end of 2016; this resulted in a £0.3m EBITDA in 2017 (2016: £0.3m EBITDA loss).

Adjusted EBITDA is one of the key metrics that the Board uses to monitor the Group's underlying performance on a run rate basis. Adjusted EBITDA for the year of £2.8m shows a 20% increase on 2016 which is 8% higher than the previous Adjusted EBITDA high from 2015; adjustments to the Reported EBITDA figure now relate primarily to company restructurings, historical agreements, and Share Based Payment expenses – these costs represent only 23% of the Adjusted figures in the year under review (2016: 67%) and against a far stronger base Reported number.

Similarly, the Board reviews Adjusted PBT to demonstrate run rate PBT. Adjusted PBT of £1.1m represents a 54% improvement from 2016, with the quantum increase in performance mainly resulting from the stronger underlying performance of the business, represented by the £0.5m positive variance on Adjusted EBITDA which has in effect flowed down to the PBT level. The Adjusted PBT excludes accounting adjustments for acquired intangibles or other investments, both of which would have a nil cash impact.

Adjustments to both EBITDA and PBT are broken down and explained in note 1 to the Financial Statements.

PBT and EBITDA Reconciliations

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating loss	**(651,508)**	(3,945,076)
Depreciation and amortisation	**2,326,643**	2,582,837
Impairments of acquired intangibles	**488,227**	2,139,474
EBITDA from continuing operations	**2,163,362**	777,235
Add back exceptional costs:		
Acquisition costs	**–**	308,235
Reorganisation costs	**607,367**	247,329
Legal and other consultancy costs	**3,517**	194,300
Security impairment	**22,871**	120,130
Revaluation of contingent consideration	**(28,296)**	213,262
Provision for vendor loan guarantee	**(71,902)**	264,512
Total exceptional costs	**533,557**	1,347,768
Share based payment expense	**120,736**	218,232
Adjusted EBITDA	**2,817,655**	2,343,235
Loss before tax from continuing operations (as reported)	**(3,022,797)**	(5,080,062)
Add back:		
Exceptional costs	**654,293**	1,566,000
Exceptional finance costs	**305,988**	–
Amortisation on acquired intangibles	**1,832,625**	2,101,348
Impairments	**1,352,039**	2,139,474
Adjusted profit before tax	**1,122,148**	726,760

Group Chief Financial Officer's Review *(continued)*

For the year ended 31 December 2017

Financial performance

As at year end, the Group consisted of three reportable segments; with Communications constituting Newgate, Redleaf and Publicasity; Marketing being 2112 (and Summit which was closed in the year) and Head Office being the Porta Group company.

Our results for 2017 were driven by consistently solid performances from Newgate Australia, Publicasity, Redleaf and Newgate Singapore which contributed to 15% Gross Profit ("GP") growth against the comparable period. On a constant currency basis, GP growth was 11.5%, which reflects the movement before taking account of Summit Marketing Services ("Summit") which ceased trading in the year. Stripping Summit out of the calculations would result in 16% growth (all organic) or 13% on a constant currency basis, with the reduction mainly as a result of the GBP/AUD movement during the year.

Operating and Administrative expenses increased in the year by 15%, with the majority being employment costs, which account for over 76% of Operating and Administrative expenses. These employment cost increases mainly relate to Newgate Australia (35% increase) and Newgate UK (11% increase). Newgate Australia's increase reflects their continuing outperformance against expectations, and the resultant need for additional staff. For the majority of 2017, Newgate UK was run as a combination of the businesses of Newgate Communications Limited, 13 Communications (January 2017 onwards), and PPS (April 2017 onwards). On a like for like basis, Newgate UK's employment costs grew by 11% for the year primarily as a result of the full year impact of a number of senior hires made in 2016, however Gross Profit remained constant. Conversely 2112, which was restructured at the end of 2016, showed a reduction of £0.7m (28%) in employment costs with negligible impact on Gross Profit (see Company Restructurings section below).

The majority of the 2017 Restructuring costs are sat in the Porta holding company and Newgate UK, and reflect the reorganisation of various areas of the business undertaken to strip out non-profit enhancing costs. The Group constantly reviews the underlying subsidiaries' performance, identifying areas which aren't working or are in need of reorganisation and this activity will continue in 2018 to ensure Newgate UK's cost base reflects the return on investment required by the board.

The bulk of the impairment charge in 2017 related to the write off of goodwill held at Group level on 13 Communications, due to the business being closed down, whereas the majority of the amortisation and depreciation charges sat on the acquired intangibles, namely on customer lists, which are being amortised over 5 years, with an average of 1.4 years remaining to run. Depreciation has remained relatively consistent YOY.

Finance Expenses increased by 17% in the year, as a result of the one-off charges relating to the early termination of the Leumi invoice discounting facility, and its replacement with a much more flexible and less expensive RCF with Clydesdale Bank. This charge accounted for £0.3m of the total £1.5m. Adjusting for this one-off charge results in a £0.1m reduction in the finance expense, which is mainly as a result of the debt restructuring undertaken in Q3 2017 (see the relevant section below).

Although the 2017 tax charge of £1.5m represents a significant increase on the the prior year (2016: £0.1m) the bulk of this amount is due to the release of Deferred Tax Assets previously recognised in Porta. This is offset to a lesser extent by Deferred Tax Liability movement on the amortisation on acquired brands and customer lists (charge broadly consistent with 2016 as expected), as well as an overall decrease in the asset as a result of the change in the effective corporate tax rate in the UK for the year to 19.25%. The actual current tax charges in the period were £0.9m, with the bulk being in Newgate Australia (£0.7m) and Redleaf (£0.1m). These charges reflected the strong performances in the year, and inability to fully attribute Group relief to either company, however Redleaf's profit post the additional 15% acquisition in July 2017 was eligible for Group relief, as will 100% of its profits going forward under the current rulings due to its ownership now being over 75%.

The profit allocated to Non-Controlling Interests ("NCI") increased to £1m (2016: £0.7m), due to the strong performance in Newgate Australia, which Porta at year end owned 62% of, having acquired an additional 4.4% during 2017. The performance of both Newgate Australia, Redleaf (an additional 15% acquired in 2017, taking Porta's holding to 81%), along with the growth exhibited in Newgate Hong Kong and Singapore, made a material positive contribution to the loss recognised by the Shareholders. Whilst loss after tax from continuing operations was £4.5m (2016: £5.2m), if we were to add back non-cash accounting adjustments in the year, namely amortisation on acquired intangibles, impairments and the movements on Deferred Tax Assets and Liabilities, this would give a revised 2017 Loss After Tax of £0.6m, versus the 2016 equivalent Loss After Tax of £1.4m, hence with the continued flushing through of these hereditary movements, we can start to view the underlying performance in the business.

The operating cash outflow of £1.1m on the face of it, shows a significant swing from the 2016 positive operating cashflow of £1.2m. However when looking at the detail, there are signs of significant improvement. Following the refinancing, creditor payment terms were restored to normal levels from the stretch exhibited in 2016. Similarly, the top line growth in various subsidiaries, has caused an increase in receivables at year end, as did the shifting of Work in Progress ("WIP") into billed i.e. receivables, causing the net movement in the year being a £0.6m increase (2016: £0.1m increase in WIP and receivables).

Overall, the performance of the Group was positive, with some strong results in Newgate Australia, Hong Kong, Singapore, Publicasity and Redleaf, as well as an impressive turnaround in 2112 all contributing to the positive EBITDA movement from 2016 and strongest earnings by the Group to date.

As part of the Chairman's 2016 review, he noted, amongst other things that:

- the Board is focused on the practical measures necessary to strengthen the balance sheet and the Group's working capital facilities; and
- a renewed focus on cost and cash control is needed together with an improvement in the Group's support structures to support further profitable growth

The sections below address these points specifically.

Balance sheet restructuring

It was clear that the Group needed to improve its balance sheet, by way of a combination of a restructuring of its existing debt obligations and an equity fundraise.

The performance of the Group in 2016 and H1 2017, enabled the introduction of a £3.3m RCF with Clydesdale in June 2017, and the concurrent termination of the more expensive and administratively heavy Bank Leumi CID facility. The Clydesdale facility has increased Porta's available credit facilities by up to £2.3m over the existing CID facility, and a reduction in margin on said facility of 135bps.

Whilst the Clydesdale RCF gave the Group more accessible and flexible capital, there remained the high coupon borrowings with Hawk Investment Holdings Limited ("Hawk") and Retro Grand Limited ("Retro Grand"). The Board was and is cognisant of the need to bring the coupon down on its borrowings, as well as meeting interest payments on the 364-day Retro Grand loan; whilst not losing the support and flexibility that such borrowing gives the Group. Therefore, whilst the Board focuses on cost and cash control as well as improving the underlying subsidiaries' and Porta company performance, the challenge was to restructure the existing debt whilst raising equity to support the restructuring of some of the businesses, materially improving the bottom line, improving cash generation, conversion, and start getting the Group up to critical mass.

Through negotiations with Hawk and Retro Grand ("the Lenders"), £0.3m and £0.4m of debt respectively was converted into Porta equity at 3.5 pence per share (being a premium to the share price at the time) resulting in a nil gain/loss for both parties.

The original £4.1m Hawk Deep Discounted Bond ("DDB") which was accruing interest at 12.8% per annum and was due to mature in April 2019, was replaced with a new £4.5m DDB, maturing in April 2021, accruing at an interest rate of 8% per annum, representing a 480bps annual saving.

Group Chief Financial Officer's Review *(continued)*

For the year ended 31 December 2017

As part of the restructuring, Porta agreed with Retro Grand to replace the existing £5.2m 364-day facility which was accruing interest at a rate of 1% per month, with a new £5.2m convertible loan, also on a 364-day term, at an interest rate of 8% per annum, payable quarterly in arrears, representing an annual saving of a third in interest payments.

The debt restructuring had a positive impact on the Group's Income Statement in 2017 of £0.2m and is expected in 2018, all else being equal, to represent savings of £0.5m against the previous arrangement.

Alongside the above restructurings, Porta raised £3m from strategic investor, SEC S.p.A. The purpose of the subscription funds was for working capital to support a number of the subsidiary companies in the next phase of their development and growth, as well as further improving the Group balance sheet.

Company restructurings

In late 2016, 2112 went through a significant restructuring as a result of which £0.9m of cost was stripped out on an annualised basis, which included some £0.7m of employment costs. The reduction of cost and consolidation of the business into its core team resulted in only a 1% reduction in fee income, enabling the company to realise a complete turnaround and deliver solid profitability and cash generation throughout 2017.

Newgate UK's 2016/17 strategy of the recruitment of senior hires, launching a geopolitical practice and expanding its Public Affairs offering to drive top line growth has not been successful. Consequently, Newgate UK has been restructured to focus on the impressive and profitable work it has been doing over 2017, which was overshadowed by the carrying of significant profit compressing costs. In the interest of de-risking the business and bringing it back to profitability, the merged 13 Communications business and the geopolitical practice have been closed down, along with the removal, and in some cases replacement of non-performing costs. The result of this has been a significant reduction in the company's fixed cost base, which on an annualised basis, represents a saving of £1.6m.

Similarly, a cost review has been undertaken at the Porta company level, which has resulted in the removal of £0.3m of annualised costs, as well as the relocation of Redleaf into Porta's London premises at 50 Basinghall Street in February 2018, which will save Group rent of £0.2m (annualised).

Systems implementation

Aside from the streamlining of various areas of the Group, and the renewed focus on cost and cash control, a full review of the Group's financial systems was undertaken in Q4 2016. At the time there were ten different subsidiary accounting platforms/systems being used (varying from SAGE to Aqilla), and the Group consolidation and reporting had significant inefficiencies.

As a result of the above review, three work streams were taken forward, being:

- to determine a unified accounts approach to be used across the Group;
- to identify and implement group-wide, a fully integrated cloud based job costing and accounting platform; and
- to identify, build and implement a cloud based financial reporting and consolidation platform that would integrate with the subsidiary accounting platforms.

In Q4 2016, Group successfully identified its approach, a suitable job costing and accounting platform, and a consolidation platform.

Newgate UK, PPS (after which it was integrated into Newgate UK), 2112, Publicasity, Newgate Australia and Newgate Singapore all transitioned from their existing software onto Paprika's cloud based job costing and accounting platform during 2017, with other Group companies due to transition in 2018. Meanwhile, Porta commenced the build on its chosen consolidation package, being Oracle's Financial Consolidation and Close Cloud platform ("FCCS"). All Group companies commenced using FCCS for their monthly management reporting from January 2018.

The introduction of the new systems is already dramatically improving the control, visibility and efficiency within the Group's financial accounting processes, and whilst FCCS is still going through its final development and testing stages for statutory purposes, with the increased level of control that it gives Group over the reporting process, it is expected to dramatically improve the speed of reporting once fully functional.

Conclusion

The Group has shown significant positive movement in the year. It has delivered record levels of Gross Profit and EBITDA (both Reported and Adjusted), whilst also strengthening its balance sheet, and continued to drive significant operational change in the underlying systems and processes, alongside a strengthening in controls.

The work performed on the underlying foundations of the Group is improving the financial and performance visibility, which is resulting in quicker decision making and actions being able to be taken. However, whilst the Group continues to grow its top line, it comes with the inevitable challenge of maintaining and improving profit margins, cash conversion and generation. Our aim is to get it to the level required whereby the Group is able to look to refinance its existing high coupon debt with lower coupon amortising loans.

The performance in 2017 – both at the front and back ends of the business – has been a significant step forwards.

Rhydian Bankes
Chief Financial Officer

27 April 2018

Principal Risks and Uncertainties

For the year ended 31 December 2017

The Group is exposed to a range of various risks which may affect its performance. The management team of the Group performs regular exercises to identify, evaluate and report new risks facing the business as well as reviews the appropriateness and relativity of earlier identified risks by the Board. The process is designed to manage these risks and to ensure all necessary mitigating actions are considered and undertaken on a timely manner. However, no system of control or mitigation can completely eliminate the risks inherent in achieving the Group's business objectives. The existing risk management process adopted by the Board of Directors can therefore provide only reasonable and not absolute assurance against material misstatement or potential loss.

The Directors identified a number of risks and uncertainties which they believe may affect the Group's ability to deliver its strategic goals as at 31 December 2017. A list of these risks is summarised below. This list does not purport to be an exhaustive summary of the risks affecting the Group, is given in no particular order of priority and contains risks considered to be outside the control of the Directors.

Risk trend key:

↑ Increased from 2016 ↓ Decreased from 2016 ↔ No change

Specific Risks	Mitigation	
Acquisitions and disposals (strategic risk)		
The pursuit of our Group business strategy is achieved by the Board of Directors through economically sound development activities such as strategic investments, acquisitions and disposals. Whilst some good progress has been made on acquisitions in the past, there can be no guarantee that the Directors will continue to be able to agree the acquisitions of further suitable companies and/or businesses on acceptable terms or any guarantee that the Group will be able to raise sufficient future finance at such time. There is also a risk that any acquisition or investment is based on inaccurate information or assumptions, or the acquisition is not integrated effectively which may not provide the financial benefit anticipated post- acquisition. During the year only contracted follow-on investments have been made in Newgate Australia and Redleaf.	We mitigate these risks by having rigorous external and internal due diligence procedures to identify and evaluate potential risks prior to agreeing the acquisition or investment terms; applying robust valuation models; and agreeing suitable warranties and indemnities from the vendors. In addition, the consideration paid for any business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business. There is a clear focus on integrating acquired businesses over the deferred consideration period and close monitoring of the post-acquisition performances.	↓

Specific Risks	Mitigation
Management of growth (strategic risk)	
The ability of the Group to implement its strategy requires effective planning and management control systems. The speed at which the business develops may place a significant strain on the Group's management, operational, financial and personnel resources. Failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a detrimental impact on the trading performance of the Group.	The Group has an experienced management team and a number of highly experienced external advisers. The Board of Directors continuously review and enhance the existing strategy for the management of the expected business growth.
New markets and channels of service offering (strategic risk)	
As we enter new markets through acquisition of local businesses or starting up new offices overseas we may achieve lower than anticipated trading volumes or higher costs and resources requirements. This may impact overall Group profitability and negatively reflect on cash flows.	We have a thorough process for assessing and planning the entry into new markets and related opportunities with the help of qualified and experienced advisers. We continuously assess our performance in those new markets and the related opportunities and risks.
Global economic trends and client dependency (economic risk)	
Our Group provides an integrated service offering to our clients across the globe. Poor economic conditions and/or uncertainty in home countries of our clients can reduce business needs as well as increase debtor days' of existing clients, and thus put pressure on the Group's working capital. There is also an increased risk of bad debts occurring.	Due to a wide spread of clients across the world and various industry sectors, the Group reduces its reliance on any particular economic environment or particular client. The Group performs weekly reviews of cash flows from all operations as well as regular reviews of new business wins/losses across all Group companies. The Group closely reports and monitors aged debts and ensures the local management has an action plan in place to minimise the risks of any resulting loss. The Group also closely monitors the level of fees generated from each client and is continuously seeking opportunities to expand existing client portfolios. In 2017 no individual client represented more than 10% of the total Gross Profit. And our top 10 clients accounted for 18% (2016: 18%) of Gross Profit.

Principal Risks and Uncertainties *(continued)*

For the year ended 31 December 2017

Specific Risks	Mitigation
Future funding and existing debt (strategic risk)	
The Group is continuously reviewing its funding requirements in terms of both strategic acquisitions and startups, as well as working capital to support the organic growth and stability of the Group. Coupled with this the Group is very conscious of the increasing debt burden that it suffers through the coupons attached to the various instruments deployed, and the negative impact that has on both the profitability of the Group, and the cash position.	The Board of Directors and executive management team closely monitor the level of debt, financing need, availability and ability of the Group to support any additional debt. Rigorous cash reviews of expenditures and collections are performed on a weekly basis across all Group companies to ensure the targeted cash levels are maintained at each reporting date. Where further financing is deemed to be required, the Board and executive management ensure that the mix of financing and terms thereof, are in the best interest of the Group and Shareholders.
Restructuring activities (strategic risk)	
Acquisitions and integration of new businesses within the Group may require restructuring of our existing activities to streamline our business and reduce the cost base. This includes restructuring underperforming business units as part of an effective cost management program. The Group began restructuring aspects of the UK Communications segment at the end of 2017, whereby underperforming business units were restructured and costs reduced. Restructuring of said business units has progressed well, however is expected to have lag into mid/late 2018 before the financial impact is positively felt on the Group.	The Group continues to manage all restructuring activities through assignment of specific internal teams responsible for regular and timely reporting of the progress and results against set targets. Group seeks to remain fair towards all members of staff affected by the changes through transparent and regular consultation with those affected members of staff during such periods. The Group also continues to track the costs and benefit of these projects to ensure that we can compare their actual performance against our expectations while monitoring the underlying performance of the business.

Specific Risks	Mitigation
Attraction and retention of key employees (operational risk)	
The Group depends on the continued service and performance of the senior management team and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of their services cannot be guaranteed. The loss of the services of key employees could damage the Group's business. Equally, the ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.	We recognise that it is important to motivate and retain talented people across our businesses to ensure that we are not exposed to the risk of unplanned staff turnover. The Group's policy is to recruit both senior management and staff of the highest quality and to remunerate them accordingly. The Group carries out a succession plan and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key personnel. The Group takes employees' health and safety very seriously and has appropriate processes in place to monitor and address any issues accordingly. Recent new hires made in 2017 indicate that areas of the Group are becoming a 'destination firm' thereby reducing the Group's risk of not being able to attract experienced and skilled executives.
Working capital (operational risk)	
Lack of timely cash collections from our clients may result in increased working capital requirements at an increased cost to the Group.	Working capital implications are an integral component of contract negotiations. The Group seeks to agree advance billing terms whenever possible.
Organic growth of businesses within the Group, will tie up additional working capital, causing potential working capital shortfalls in the short-term.	Group and Company cashflow is monitored by the Group on a weekly basis with forecasting on a detailed level, done on a 13-week rolling forecast. Where potential shortfalls are identified, the Group will work with the management team of the affected business to ensure access to sufficient funds.
Information systems (IT) and data security (operational and business risks)	
Any information system failure could negatively impact on the Group's business operations, including delays to client work. Unauthorised access to confidential information due to inadequate security of the data could compromise our client relationships and have a detrimental effect on our reputation. Failure to maintain robust disaster recovery plans may result in significant loss of resources and cause a major disruption to overall business operations.	The Group maintains fit for purpose IT systems managed and reviewed by both in-house and third party IT specialists in a timely manner. All significant IT related investments are subject to business case assessments performed by Group management and, where appropriate, by the Board. Extensive business and IT disaster recovery plans have been implemented by each company and are tested frequently to minimise any disruption in the event of an IT failure. It is local management's responsibility to perform regular reviews of those plans to ensure they remain dynamic and robust. External access to data is protected by the Group's IT security, which is frequently tested for malicious attacks and/or more general virus infections to ensure that the Group's network is as secure as possible. Internal access to data is restricted.

Principal Risks and Uncertainties *(continued)*

For the year ended 31 December 2017

Specific Risks	Mitigation
Failure to maintain an acceptable standard of business ethics (business risk)	
Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group.	The Board has implemented a robust governance framework including a Code of Business Conduct and Ethics (the "Code") that is incorporated into our Staff Hand Book and is communicated to all employees. The Code provides clear guidance on how the members of staff are expected to behave towards other colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate. All employees are expected to comply with the Code and any violations of it may be reported to local management or the Group HR.
Legal and regulatory compliance (compliance risk)	
Any failure to adhere to legislative requirements could affect both the reputation and performance of, as well as causing financial damage to the Group.	The Group is advised by external legal counsel throughout the world on local, legal and regulatory requirements which minimises the risk of loss. Policies on gifts, entertainment, share trading and confidentiality are communicated to all employees through the Staff Hand Book and Share Dealing Code. Appropriate training is given to employees to reduce the Group's risk of failure to comply with relevant legislative and regulatory requirements.

Financial risk management

Details of the Group's approach to financial risk management are disclosed in detail in note 7 to the financial statements.

Board of Directors

For the year ended 31 December 2017

The following Directors have held office during, or subsequent to, the year:

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2017.

John Foley, Non-Executive Chairman, 62 years. John is a co-founder and Chairman of AIM quoted niche services provider, Premier Technical Services Group Plc. John is also Chairman of Servoca Plc, the AIM quoted staffing solutions and outsourcing provider. He became Non-Executive Chairman on 3rd May 2017, having been on the board since September 2016.

Fiorenzo Tagliabue, Non-Executive Deputy Chairman, appointed 4th August 2017, 67 years. Fiorenzo is the founder and controlling shareholder of SEC. He is also a member of the Board of Directors of Banco Alimentore Foundation and of Venice University Institute of Architecture. Fiorenzo was appointed as Non-Executive Deputy Chairman in August 2017.

Brian Tyson, Joint Chief Executive, 54 years. Brian is the Managing Partner of Newgate Australia and co-founder of Newgate Research. He is involved with many leading industry advocacy bodies in Australia including the IPA, TTF and PCA. Brian was appointed as Executive Director in November 2017 and Joint CEO on 26th April 2018.

Emma Kane, Joint Chief Executive, appointed 26th April 2018, 50 years. Emma founded Redleaf Communications in 2000 and, in 2010, acquired and successfully integrated Polhill, a leading financial services PR agency. She is also the Chairman of the Barbican Centre Trust, Chairman of Target Ovarian Cancer, and a trustee of Nightingale Hammerson. She was awarded the Freedom of the City of London in 2017. Emma was appointed as Joint CEO on 26th April 2018.

Rhydian Bankes, Chief Financial Officer, appointed 3rd May 2017, 34 years. Rhydian joined Porta in January 2016 as Head of Group Finance. He qualified as a Chartered Accountant at PWC and spent eight years working across a broad range of service lines. Rhydian was appointed Group CFO on 3rd May 2017.

Gene Golembiewski, Executive Director and Company Secretary, 60 years. Gene is a qualified CPA. Prior to joining Porta, Gene was worldwide CFO and COO of Gavin Anderson & Company. Gene was Group Finance Director up until 3rd May 2017.

Steffan Williams, Chief Executive until 26th April 2018, 50 years. Steffan has spent over 20 years working within strategic communications, most recently as a Partner at Finsbury. Prior to Finsbury Steffan founded Capital MSL in 2001, taking it to become a top ten player within the EMEA region. Steffan will cease to be director of Porta on or before 5th May 2018.

Raymond McKeeve, Non-Executive Director until 31st August 2017, 46 years. Raymond is a Partner at Jones Day and is widely regarded as a leading private equity specialist across all areas of corporate practice, including acquisitions, disposals, restructurings and ECM work. Raymond stepped down as Non-Executive Director on 31st August 2017.

David Wright, Executive Chairman until 3rd May 2017, 73 years. David began his career as a journalist and went on to be CEO of Incepta plc, prior to starting up Porta. David stepped down as Chairman on 3rd May 2017.

Directors' Report

For the year ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

General information

Porta Communications PLC is a public limited company domiciled and incorporated in England and Wales (registered number 05353387). The address of the registered office is given on page 2.

Business review and future outlook

The review of the business for the year and the future outlook is given in the Chairman's Statement on page 6 and the Strategic Report on pages 12 to 34.

Risks and uncertainties

The Strategic Report deals with the principal risks and uncertainties. The Group trades internationally both through its local offices and via direct contracts in countries where it does not have offices. This trade exposes the Group to potential political risks, foreign exchange risk and physical risks. Other risks the Group are exposed to include client credit risk; the risk that the financial markets cause liquidity risks (with financial services clients); and cash flow risks. The Group mitigates such risks through monitoring, reviewing the available information and management's negotiations of contractual terms. Further details to the Group's risks and uncertainties are given on pages 30 to 34.

Going concern

The Group's forecasts and projections show that the Group should be able to operate within the level of its current financial means, for at least twelve months from the signing of these financial statements with the continued support of Hawk and Retro Grand, to which they have consented.

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. Therefore, the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

Details of the use of financial instruments and the Group's approach to financial risk management are disclosed in detail in note 7 to the financial statements.

Dividends

The Company is unable to pay a dividend for the year ended 31 December 2017 (2016: £nil).

Political contributions

During the year, the Group made no political donations and it incurred no political expenditures (2016: none).

Directors

The name and biography for each Director have been provided on page 35. This information can also be found on our website (www.portacomms.com).

Directors' interests

The Directors who served the Company during the year, together with their interests (including family interests) in the shares of the Company, were as follows:

Ordinary shares of 1p each	**31 December 2017**	31 December 2016	31 December 2015
Fiorenzo Tagliabue[1] (appointed 4 August 2017)	**85,714,286**	–	–
Raymond McKeeve (resigned 31 August 2017)	**4,651,618**	4,651,618	4,651,618
David Wright (resigned 3 May 2017)	**4,055,677**	4,055,677	4,055,677
Brian Tyson (appointed 1 November 2017)	**2,446,253**	–	–
Gene Golembiewski	**1,412,230**	1,412,230	1,412,230
John Foley	**965,079**	965,079	–
Rhydian Bankes (appointed 3 May 2017)	**125,000**	–	–
Steffan Williams	**–**	–	–

1. Holdings are through SEC S.p.A ("SEC") of which Fiorenzo Tagliabue is the CEO and founder.

The details of Directors' share options are given in the Report of the Remuneration Committee on pages 40 to 41.

In January 2018, 4,700,000 Ordinary shares of 1p each were purchased by John Foley. There have been no further changes in the interests of the Directors in the shares of the Company between 31 December 2017 and the date of this report.

Substantial shareholdings

As at 4 April 2018, notification has been received for the following interests in 3% or more of the issued share capital of the Company:

	Number of Ordinary shares held	Percentage
SEC S.p.A[1]	85,714,286	18.76
Hawk Investment Holdings Limited	74,929,077	16.40
Retro Grand	30,262,931	6.62
Hargreave Hale	26,544,254	5.81
Fidelity	16,071,539	3.52
Gary Wyatt	15,000,000	3.28
Stephen Byfield	14,871,230	3.25

1. Fiorenzo Tagliabue, appointed as Non-Executive Deputy Chairman on 4th August 2017, is also the CEO and founder of SEC S.p.A ("SEC").

Employment

The Directors view employees as the key asset of the Group. In 2017, the Group's management continued to focus time and resource on the Group's employees, including initiatives on subjects such as wellbeing, engagement and training.

As at 31 December 2017, the Group employed 273 people (2016: 279) globally in its continuing operations. The Group takes its responsibilities for its employees seriously and is committed to high standards of employment practice. The Group's aim is to develop successful employees who will grow with the Group as it expands and who see exciting future employment prospects with the Group.

Employee involvement

The Directors are committed to employee involvement throughout the business. Employees are kept informed of the performance and strategy of the Group through divisional and personal briefings, regular meetings, electronic correspondence, broadcasts and in-house presentations by the Chief Executive, members of the Board and other members of the executive management team(s) organised at key points in the year.

The managing executives from each operating unit across the Group are committed to encourage staff to engage proactively in gathering ideas and initiatives on a number of areas including how we can better serve our clients and operate more efficiently.

Share options are an important part of our reward package, encouraging and supporting employees share ownership. Full details of the current schemes are given in note 22.

Wellbeing information is provided by the administration team of every Group office in staff-dedicated 'break out' areas. Information on topics such as healthy eating and exercise are provided as well as how to seek help for issues such as stress, financial challenges or achieving a positive work-life balance. The Group also welcomes staff wellbeing initiatives and encourages a number of sport activities to take place during the lunch hours.

Through our involvement with Heart UK, the Group offered cholesterol testing to employees in its London office.

Directors' Report *(continued)*

For the year ended 31 December 2017

Equal opportunities
The Group is committed to an equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion to retirement. It is the Group's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merits. The Group is responsive to the needs of its employees, customers and the community at large. We are an organisation that uses everyone's talents and abilities and where diversity is valued.

Employees with disabilities
It is our policy that people with disabilities should have full and fair consideration for all vacancies. During the year we continued to demonstrate our commitment to interviewing those people with disabilities who fulfil the minimum criteria, and we endeavour to retain employees in the workforce if they become disabled during their employment. We will actively retrain and adjust their environment where possible to allow them to maximise their potential.

Auditors

A resolution is proposed at the forthcoming Annual General Meeting to appoint Grant Thornton UK LLP as auditors of the Company for the ensuing year.

Directors Indemnity Insurance

As permitted by Section 233 of the Companies Act 2006, the Company has purchased insurance cover on behalf of the Directors indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Disclosure of information to the auditors

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

Corporate governance

The Company believes it operates a level of corporate governance appropriate for a Company of its size with associated risks monitored and mitigated to an acceptable level.

Directors' remuneration

The Report of the Remuneration Committee is on pages 40 to 41 of this Report and Financial Statements. The Report of the Remuneration Committee forms part of this Directors' Report and is incorporated into it by cross-reference.

Annual General Meeting

A notice convening the Annual General Meeting to be held on 31 May 2018 at 2pm. is included with this report. The Report of the Directors was approved by the Board on 27 April 2018 and signed by order of the Board by:

Rhydian Bankes
Chief Financial Officer

27 April 2018

Statement of Directors' Responsibilities

For the year ended 31 December 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Report of the Remuneration Committee

For the year ended 31 December 2017

Remuneration policy for Executive Directors

Remuneration packages are developed to attract, retain and motivate Executive Directors without being excessive, and to be aligned with both the interests of shareholders and the business strategy of the Company. They take into account the current life cycle stage of the Company, the level of responsibilities and risks involved and the remuneration packages of comparable companies that have similar international scale. Consideration of remuneration and benefits across the Group's employee population is also taken into account.

The current remuneration of the Executives consists of several elements including base salary, pension contribution, share options, and other taxable benefits. The table below sets out the remuneration of each Company Director during the year ended 31 December 2017.

Directors' remuneration (audited)

31 December 2017	Notes	Fees and salaries £	Bonuses £	Pension contri-butions £	Other benefits (note 5) £	Loss of office £	Total £
Executive							
David Wright (resigned 3 May 2017)		83,333	–	8,333	2,713	188,769	**283,148**
Gene Golembiewski		250,000	–	25,000	19,871	–	**294,871**
Steffan Williams	1	350,000	–	20,000	2,560	–	**372,560**
Rhydian Bankes (appointed 3 May 2017)		106,667	–	5,333	570	–	**112,570**
Brian Tyson (appointed 1 November 2017)	1	55,098	–	1,905	–	–	**57,003**
Non-Executive							
Brian Blasdale (resigned 30 November 2016)	2	4,000	–	–	–	–	**4,000**
Raymond McKeeve (resigned 31 August 2017)	3	1	–	–	–	–	**1**
John Foley		30,250	–	–	–	–	**30,250**
Fiorenzo Tagliabue (appointed 4 August 2017)	4	–	–	–	–	–	**–**
		879,349	**–**	**60,571**	**25,714**	**188,769**	**1,154,403**

Payments for loss of office comprises of the following:

	Fees and salaries £	Bonuses £	Pension contri-butions £	Other benefits (note 5) £	Total £
David Wright	166,667	–	16,667	5,435	**188,769**

1. Remunerated through a wholly owned subsidiary.
2. Remuneration in respect of his notice period was paid through the Director's service company as detailed in note 26 to the financial statements.
3. Mr McKeeve's contract entitles him to a fee of £1 per annum. Other related party transactions are detailed in note 26.
4. No remuneration was paid in the year with respect to services as a Group Director. Other related party transactions are detailed in note 26.
5. Other benefits comprise of payments in respect of healthcare, life insurance and other similar benefits.

The remuneration of the Directors for the year amounted to £1,154,403 (2016: £977,109). The remuneration of the highest paid Director was £372,560 (2016: £323,069). No bonuses were paid to Directors for the year ended 31 December 2017 (2016: None). In addition to the amounts disclosed above, £105,224 was charged to the Statement of Comprehensive Income in relation to share options held by Directors during the year (2016: £113,141). All of the above remuneration is accounted for within continuing operations. Further information in relation to share based payments is disclosed in note 22 to the financial statements.

31 December 2016	Notes	Fees and salaries £	Bonuses £	Pension contri-butions £	Other benefits (note 4) £	Total £
Executive						
David Wright		250,000	–	25,000	13,346	288,346
Gene Golembiewski		250,000	–	25,000	24,474	299,474
Steffan Williams	1	300,000	–	20,000	3,069	323,069
Non-Executive						
Bob Morton (resigned 13 October 2016)	2	24,000	–	–	–	24,000
Brian Blasdale (resigned 30 November 2016)	2	27,500	–	–	8,469	35,969
Raymond McKeeve	3	1	–	–	–	1
John Foley (appointed 29 September 2016)		6,250	–	–	–	6,250
		857,751	–	70,000	49,358	977,109

1. Remunerated through a wholly owned subsidiary.
2. The majority of this remuneration was paid through Directors' service companies as detailed in note 26 to the financial statements.
3. Mr McKeeve's contract entitles him to a fee of £1 per annum.
4. Other benefits comprise payment in respect of healthcare and life insurance and similar benefits.

On behalf of the Board

John Foley
Chairman of the Remuneration Committee

27 April 2018

Independent Auditor's Report

to the members of Porta Communications Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Porta Communications Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows, consolidated statement of changes in equity, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Who we are reporting to

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.

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:

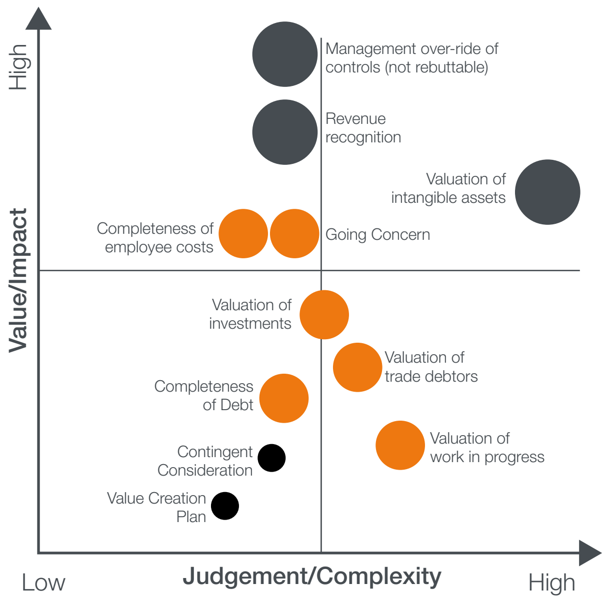
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's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

Overview of our audit approach

- Overall materiality: £410,000, which represents 1% of the group revenue
- Key audit matters were identified as the carrying value of intangible assets
- We performed a risk assessment of each entity within the group, both UK and overseas, and deemed whether it was appropriate based on size and risks identified, that the entity should be subject to a full scope review, targeted procedures or analytical review.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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) that we identified. These matters included those that 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.

Independent Auditor's Report *(continued)*

to the members of Porta Communications Plc

Key Audit Matter – Group	How the matter was addressed in the audit – Group	Key observations
Carrying value of intangible assets		
The value of intangible assets at year end is £10.8m (2016 £13.1m) and includes: Goodwill £6.76m (2016 £7.31m) Customer relationships £2.52m (2016 £4.13m) Brands £1.24m (2016 £1.46m) An impairment assessment of goodwill is required on an annual basis and in cases where impairment indicators exist, a further review of the intangible asset is required. There is a risk of material misstatement due to the level of uncertainty involved in forecasting and discounting future cash flows associated with such impairment assessments. We therefore identified valuation of intangible assets as a significant risk, which was the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • consideration of management's assessment of indicators of impairment and the appropriateness of the indicators identified; • assessment of the value-in-use calculations provided by management; • challenge of the assumptions by comparing to historical data and other external sources of information, such as the websites of the Bank of England and Financial times; • assessed whether disclosures included within the financial statements regarding management's assessment of the carrying value of goodwill and other intangible assets meet the requirements of the accounting standards. • assessment of the sufficiency of disclosures in the annual report. The group's accounting policy on the recoverability of intangible assets is shown in note 1(h) to the financial statements and related disclosures are included in note 15.	Our testing did not identify any material misstatements.

We have not identified any key audit matters which relate specifically to the parent entity.

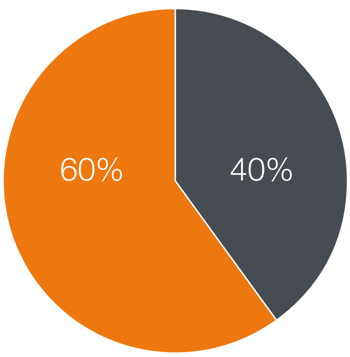
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

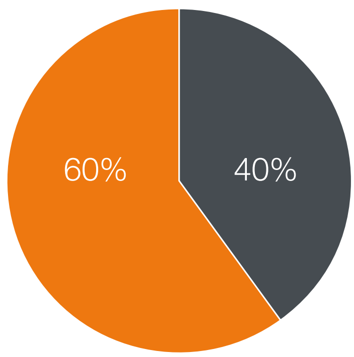
Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£410,000 which is 1% (2016: £310,000, 1%) of total revenues. This benchmark is considered the most appropriate because earnings fluctuate significantly and do not provide a stable measure (the same conclusion has been reached for EBITDA and EBIT as they are also subject to significant year on year fluctuations)- revenue is similarly a key management measure. This approach is consistent with the prior year. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 based on increased revenues for the group.	£291,000 which is 1% (2016: £222,000, 1%) of total assets. This benchmark is considered the most appropriate because it is a listed entity which does not have revenue and is predominantly a holding company for the group's investments – as such, there are minimal transactions going through the income statement. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 based on decreased level of total assets.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£20,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overall materiality – group



Overall materiality – parent



■ Tolerance for potential uncorrected misstatements

■ Performance materiality

Independent Auditor's Report *(continued)*

to the members of Porta Communications Plc

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets, revenues and profit before taxation;
- full scope audit procedures were performed at Porta Communications Plc;
- full scope audit procedures were performed for all subsidiaries determined to be significant, these included entities in UK and Australia;
- component auditors were used for both UK and overseas subsidiaries to perform the audit work in UK, Australia, Singapore and Hong Kong;
- the total percentage coverage of full-scope procedures over the group's revenue was 89.4%
- the total percentage coverage of full-scope procedures over the group's total assets was 94%

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 41, 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 under the Companies Act 2006

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

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Giles Mullins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

27 April 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Continuing operations			
Revenue	2	**40,281,716**	37,149,951
Cost of sales		**(6,073,588)**	(7,402,986)
Gross profit		**34,208,128**	29,746,965
Operating and administrative expenses	3	**(31,390,473)**	(27,403,730)
Adjusted EBITDA		**2,817,655**	2,343,235
Restructuring costs, acquisition costs and share based payments	1	**(631,422)**	(1,445,870)
Impairments	1	**(511,098)**	(2,259,604)
Amortisation and depreciation	3	**(2,326,643)**	(2,582,837)
Operating loss		**(651,508)**	(3,945,076)
Finance expense	5	**(1,547,846)**	(1,326,248)
Finance income	5	**8,825**	197,502
Impairment of associate		**(863,812)**	–
Share of loss in associate	12	**31,544**	(6,240)
Loss before taxation on continuing operations		**(3,022,797)**	(5,080,062)
Tax charge	6	**(1,460,634)**	(102,622)
Loss for the period on continuing operations		**(4,483,431)**	(5,182,684)
Discontinued operations			
Loss for the period from discontinued operations (all attributable to the owners of the Company)	9	**–**	(387,500)
Loss for the period		**(4,483,431)**	(5,570,184)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(5,438,690)**	(6,292,560)
Non-controlling interests		**955,259**	722,376
		(4,483,431)	(5,570,184)
Other comprehensive income from continuing operations			
Exchange differences arising on items that may be subsequently reclassified to profit or loss		**(122,659)**	424,550
Total other comprehensive income, net of tax		**(122,659)**	424,550
Total comprehensive income for the period		**(4,606,090)**	(5,145,634)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(5,515,740)**	(6,092,716)
Non-controlling interests		**909,650**	947,082
		(4,606,090)	(5,145,634)
Loss per share – basic and diluted	13		
On continuing operations		**(1.4p)**	(2.1p)
On discontinued operations		**–**	(0.1p)
On continuing and discontinued operations		**(1.4p)**	(2.2p)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 £	2016 £
Non-current assets			
Intangible assets	15	**10,766,349**	13,097,632
Property, plant and equipment	16	**1,074,766**	1,035,292
Deferred tax assets	6	**621,234**	1,481,791
Other non-current assets	18	**923,775**	923,775
Other investments		**8,500**	8,500
Investment in associates	12	**–**	787,946
Total non-current assets		**13,394,624**	17,334,936
Current assets			
Work in progress		**792,144**	1,321,704
Trade and other receivables	18	**8,680,195**	7,590,091
Cash and cash equivalents		**3,530,007**	1,854,553
Total current assets		**13,002,346**	10,766,348
Current liabilities			
Trade and other payables	19	**(6,839,696)**	(9,089,768)
Current tax liabilities		**(335,809)**	(305,097)
Provisions	20	**(513,807)**	–
Loans and borrowings	23	**(8,408,231)**	(6,254,770)
Total current liabilities		**(16,097,543)**	(15,649,635)
Net current liabilities		**(3,095,197)**	(4,883,287)
Non-current liabilities			
Trade and other payables	19	**(921,689)**	(404,809)
Deferred tax liabilities	6	**(966,448)**	(1,260,254)
Provisions	20	**–**	(1,328,436)
Loans and borrowings	23	**(3,489,030)**	(3,251,291)
Total non-current liabilities		**(5,377,167)**	(6,244,790)
Net assets		**4,922,260**	6,206,859
Equity			
Share capital	21	**30,335,273**	28,860,412
Share premium	21	**9,640,914**	5,826,561
Retained losses		**(36,693,569)**	(30,402,996)
Translation reserve		**86,273**	163,323
Other reserves		**684,430**	116,831
Total equity shareholders' funds		**4,053,321**	4,564,131
Non-controlling interests		**868,939**	1,642,728
Total equity		**4,922,260**	6,206,859

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2018.

Gene Golembiewski
Rhydian Bankes
Directors
Porta Communications Plc (company registration number: 05353387)

The accompanying notes are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 31 December 2017

	Notes	2017 £	2016 £
Non-current assets			
Intangible assets	15	**220,086**	178,847
Property, plant and equipment	16	**360,931**	501,926
Deferred tax assets	6	**203,634**	1,376,188
Investment in subsidiaries	17	**14,096,707**	13,724,308
Other non-current assets	18	**923,775**	923,775
Investment in associates	12	**–**	819,489
Trade and other receivables due from related parties	26	**11,288,067**	9,407,755
Total non-current assets		**27,093,200**	26,932,288
Current assets			
Trade and other receivables	18	**540,581**	1,200,826
Cash and cash equivalents		**1,525,873**	101,432
Total current assets		**2,066,454**	1,302,258
Current liabilities			
Trade and other payables	19	**(1,287,425)**	(3,139,293)
Loans and borrowings	23	**(8,375,257)**	(6,234,262)
Total current liabilities		**(9,662,682)**	(9,373,555)
Net current liabilities		**(7,596,228)**	(8,071,297)
Non-current liabilities			
Trade and other payables	19	**(921,689)**	(254,809)
Deferred tax liabilities	6	**(36,986)**	(15,331)
Provisions	20	**–**	(264,512)
Loans and borrowings	23	**(3,489,030)**	(3,229,211)
Trade and other payables due to related parties	26	**(2,506,230)**	(3,331,185)
Total non-current liabilities		**(6,953,935)**	(7,095,048)
Net assets		**12,543,037**	11,765,943
Equity			
Share capital	21	**30,335,273**	28,860,412
Share premium	21	**9,640,914**	5,826,561
Retained losses		**(28,198,926)**	(23,544,225)
Other reserves		**765,776**	623,195
Total equity shareholders' funds		**12,543,037**	11,765,943

As permitted under Section 408 of the Companies Act 2006, the Statement of Comprehensive Income for the Company is not presented as part of these financial statements. The Company's loss for the year, after tax, was £4,490,656 (2016: £5,994,890).

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2018.

Gene Golembiewski
Rhydian Bankes
Directors
Porta Communications Plc (company registration number: 05353387)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Cash flow from operating activities			
Loss before taxation on continuing activities		(3,022,797)	(5,080,062)
Adjusted for:			
Loss before taxation from discontinued operations	9	–	(387,500)
Depreciation and amortisation	3	2,326,643	2,582,837
Share of (profit)/loss in associates	12	(31,544)	6,240
Profit on disposal of associates	12	(11,000)	–
Tax paid		(858,634)	(749,632)
Finance income	5	(8,825)	(197,502)
Finance costs	5	1,547,846	1,326,248
Loss on disposal of property, plant and equipment	16	–	362
Capitalised costs		–	(61,151)
Non-cash rents received		(252,000)	(252,000)
Impairments of other investments		–	1,000
Impairment of associates	12	863,812	119,435
Impairment of goodwill and other intangibles	15	488,227	2,020,039
Decrease/(Increase) in work in progress		529,441	(270,995)
(Increase)/Decrease in trade and other receivables		(1,146,693)	122,594
(Decrease)/Increase in trade and other payables		(1,381,444)	944,380
Shares issued in settlement of loan		–	387,500
Equity settled share-based payments	22	120,736	218,232
Unrealised foreign exchange (gain)/loss		(69,952)	4,895
Provisions (utilised)/charged	20	(212,498)	264,512
Revaluation of the Redleaf Polhill contingent consideration	20	(28,296)	213,262
Net cash (outflow)/inflow from operating activities		(1,146,978)	1,212,694
Cash flows from investing activities			
Acquisition of intangible assets		(140,378)	(81,236)
Acquisition of property, plant and equipment		(396,849)	(212,667)
Acquisition of subsidiaries, net of cash acquired		(425,017)	(402,715)
Proceeds from sale of associates		11,000	–
Net cash outflow from investing activities		(951,244)	(696,618)
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)		2,978,000	(14,807)
Proceeds from loans and borrowings		3,093,484	519,170
Repayment of loans and borrowings		(100,000)	–
Payment of transaction costs related to loans and borrowings		(305,988)	–
Repayment of leases		(129,240)	(140,839)
Dividends paid to non-controlling interests		(1,386,065)	(857,269)
Interest received		8,825	13,876
Interest paid		(360,683)	(22,748)
Net financing cashflow from discontinued operations		–	(40,000)
Net cash generated/(absorbed) from financing activities		3,798,333	(542,617)
Net increase/(decrease) in cash and cash equivalents		1,700,111	(26,541)
Cash and cash equivalents at 1 January		1,854,553	1,787,184
Effect of exchange rate changes		(24,657)	93,910
Cash and cash equivalents at 31 December		3,530,007	1,854,553

The accompanying notes are an integral part of these consolidated financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Cash flow from operating activities			
Loss before taxation on continuing activities		**(3,296,446)**	(5,287,128)
Adjusted for:			
Loss before taxation from discontinued operations	9	**–**	(387,500)
Depreciation and amortisation		**233,863**	245,753
Finance income		**(2,454)**	(4,520)
Finance costs		**1,294,105**	1,200,050
Intercompany interest charge		**81,264**	(68,154)
Capitalised costs		**–**	(61,151)
Non-cash rents received		**(252,000)**	(252,000)
Impairment of investment in subsidiaries	17	**349,999**	3,939,600
Impairment of investment in associates	12	**863,811**	–
Decrease in trade and other receivables		**660,246**	32,388
Increase in amounts receivable from subsidiary companies		**(3,270,303)**	(1,220,179)
Increase in trade and other payables		**2,122,980**	465,998
Shares issued in settlement of loan		**–**	387,500
Equity settled share-based payments		**106,174**	114,952
Unrealised foreign exchange loss/(gain)		**17,926**	(177,374)
Provisions (utilised)/charged	20	**(71,902)**	264,512
Net cash outflow from operating activities		**(1,162,737)**	(807,253)
Cash flows from investing activities			
Acquisition of intangible assets		**(115,725)**	(62,904)
Acquisition of property, plant and equipment		**(6,903)**	(15,615)
Acquisition of subsidiaries, net of cash acquired		**(425,017)**	(402,715)
Dividends received from subsidiary companies[1]		**892,818**	932,642
Net cash inflow from investing activities		**345,173**	451,408
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)		**2,978,000**	(25,907)
Proceeds from loans and borrowings		**–**	499,000
Repayment of loans and borrowings		**(100,000)**	–
Payment of transaction costs related to loans and borrowings		**(233,137)**	–
Repayment of leases		**(121,116)**	(132,314)
Interest received		**2,454**	4,520
Interest paid		**(284,196)**	(12,653)
Net cash generated from financing activities		**2,242,005**	332,646
Net increase/(decrease) in cash and cash equivalents		**1,424,441**	(23,199)
Cash and cash equivalents at 1 January		**101,432**	124,631
Cash and cash equivalents at 31 December		**1,525,873**	101,432

[1] Dividends received from subsidiary companies have been reclassified from financing activities to investing activities in the 2016 comparative period.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Retained losses £	Translation reserve £	Other Reserves £	Written put/call options over NCI £	Total equity share-holders' funds £	Non-controlling interests £	Total equity £
Balance at 1 January 2017	**28,860,412**	**5,826,561**	**(30,402,996)**	**163,323**	**1,324,583**	**(1,207,752)**	**4,564,131**	**1,642,728**	**6,206,859**
Total comprehensive income									
Loss for the year	–	–	(5,438,690)	–	–	–	(5,438,690)	955,259	(4,483,431)
Other comprehensive income	–	–	–	(77,050)	–	–	(77,050)	(45,609)	(122,659)
Total comprehensive income	**–**	**–**	**(5,438,690)**	**(77,050)**	**–**	**–**	**(5,515,740)**	**909,650**	**(4,606,090)**
Transactions with owners									
Proceeds from shares issued	857,143	2,142,857	–	–	–	–	3,000,000	–	3,000,000
Issue of Ordinary shares in settlement of loans	333,093	926,307	–	–	–	–	1,259,400	–	1,259,400
Issue of Ordinary shares in relation to business combinations	187,838	514,556	–	–	–	–	702,394	–	702,394
Issue of Ordinary shares in settlement of other costs	96,787	252,633	–	–	–	–	349,420	–	349,420
Issue costs	–	(22,000)	–	–	–	–	(22,000)	–	(22,000)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(1,386,065)	(1,386,065)
Share based payments – expense in year	–	–	–	–	120,736	–	120,736	–	120,736
Share based payments – forfeited options	–	–	142,200	–	(142,200)	–	–	–	–
Acquisition of non-controlling interest without a change in control	–	–	(830,038)	–	(121,150)	546,168	(405,020)	(297,374)	(702,394)
Transfer between reserves	–	–	(164,045)	–	164,045	–	–	–	–
Total transactions with owners	**1,474,861**	**3,814,353**	**(851,883)**	**–**	**21,431**	**546,168**	**5,004,930**	**(1,683,439)**	**3,321,491**
Balance at 31 December 2017	**30,335,273**	**9,640,914**	**(36,693,569)**	**86,273**	**1,346,014**	**(661,584)**	**4,053,321**	**868,939**	**4,922,260**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2017

	Share capital £	Share premium £	Retained losses £	Translation reserve £	Other Reserves £	Written put/call options over NCI £	Total equity share-holders' funds £	Non-controlling interests £	Total equity £
Balance at 1 January 2016	28,380,791	4,788,547	(22,822,085)	(85,631)	1,301,898	(1,791,746)	9,771,774	1,847,062	11,618,836
Total comprehensive income									
Loss for the year	–	–	(6,292,560)	–	–	–	(6,292,560)	722,376	(5,570,184)
Other comprehensive income	–	–	–	199,844	–	–	199,844	224,706	424,550
Total comprehensive income	–	–	(6,292,560)	199,844	–	–	(6,092,716)	947,082	(5,145,634)
Transactions with owners									
Issue of Ordinary shares in settlement of loan	91,175	296,325	–	–	–	–	387,500	–	387,500
Issue of Ordinary shares in relation to business combinations	388,446	767,596	–	–	(225,721)	–	930,321	–	930,321
Issue costs	–	(25,907)	–	–	–	–	(25,907)	–	(25,907)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(857,269)	(857,269)
Share based payments	–	–	–	–	218,232	–	218,232	–	218,232
Issue of equity to non-controlling interests	–	–	–	–	–	–	–	11,100	11,100
Transfer between reserves	–	–	(260,564)	49,110	211,454	–	–	–	–
Transfer of equity interests on change of control	–	–	305,247	–	–	–	305,247	(305,247)	–
Acquisition of non-controlling interest without a change in control	–	–	(1,333,034)	–	(181,280)	583,994	(930,320)	–	(930,320)
Total transactions with owners	479,621	1,038,014	(1,288,351)	49,110	22,685	583,994	885,073	(1,151,416)	(266,343)
Balance at 31 December 2016	28,860,412	5,826,561	(30,402,996)	163,323	1,324,583	(1,207,752)	4,564,131	1,642,728	6,206,859

The accompanying notes are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Retained losses £	Other reserves £	Total equity share-holders' funds £
Balance at 1 January 2016	28,380,791	4,788,547	(17,387,881)	419,230	16,200,687
Total comprehensive income					
Loss for the year	–	–	(5,944,890)	–	(5,944,890)
Total comprehensive income	–	–	(5,944,890)	–	(5,944,890)
Issue of Ordinary shares in settlement of loan	91,175	296,325	–	–	387,500
Issue of Ordinary shares relating to business combinations	388,446	767,596	–	(225,721)	930,321
Issue costs	–	(25,907)	–	–	(25,907)
Share based payments	–	–	–	218,232	218,232
Transfer between reserves	–	–	(211,454)	211,454	–
Total transactions recognised directly in equity	479,621	1,038,014	(211,454)	203,965	1,510,146
Balance at 31 December 2016	**28,860,412**	**5,826,561**	**(23,544,225)**	**623,195**	**11,765,943**
Total comprehensive income					
Loss for the year	–	–	(4,490,656)	–	(4,490,656)
Total comprehensive income	**–**	**–**	**(4,490,656)**	**–**	**(4,490,656)**
Proceeds from shares issued	857,143	2,142,857	–	–	3,000,000
Issue of Ordinary shares in settlement of loans	333,093	926,307	–	–	1,259,400
Issue of Ordinary shares in relation to business combinations	187,838	514,556	–	–	702,394
Issue of Ordinary shares in settlement of other costs	96,787	252,633	–	–	349,420
Issue costs	–	(22,000)	–	–	(22,000)
Share based payments – expense in year	–	–	–	120,736	120,736
Share based payments – forfeited options	–	–	–	(142,200)	(142,200)
Transfer between reserves	–	–	(164,045)	164,045	–
Total transactions recognised directly in equity	**1,474,861**	**3,814,353**	**(164,045)**	**142,581**	**5,267,750**
Balance at 31 December 2017	**30,335,273**	**9,640,914**	**(28,198,926)**	**765,776**	**12,543,037**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of the additional policies has no impact on the results, assets or liabilities of the Group for the prior year.

The financial statements are presented in Pounds Sterling which is the Company's functional currency.

Consistent with previous years, Adjusted EBITDA is included as a key metric for understanding the Group's performance. Adjusted EBITDA is the results of the Group before start-up losses, acquisition costs, restructuring costs, non-recurring property costs, legal and other consultancy costs, share based payment expense and impairments.

The adjusting items are broken down in the tables below.

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Impairments:			
Security impairment		**22,871**	120,130
Impairment of associates		**–**	119,435
Impairment of goodwill and other intangibles	15	**488,227**	2,020,039
		511,098	2,259,604
Restructuring and acquisition costs:			
Acquisition costs		**–**	308,235
Reorganisation costs		**607,367**	247,329
Legal and other consultancy costs		**3,517**	194,300
Revaluation of contingent consideration	20	**(28,296)**	213,262
Provision for vendor loan guarantee	20	**(71,902)**	264,512
		510,686	1,227,638
Share based payment expense	22	**120,736**	218,232
		631,422	1,445,870

(a) Basis of preparation of the financial statements

The Consolidated and Company financial statements of Porta Communications Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Consolidated and Company financial statements have been prepared under the historical cost convention, except for financial instruments and contingent consideration that have been measured at fair value.

The financial statements have been prepared on a going concern basis in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and parent Company financial statements are disclosed under accounting policy (x).

New and amended standards adopted by the Group

The Group has applied the following standard and amendment for the first time for their annual reporting period commencing 1 January 2017:

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Disclosure initiative – Amendments to IAS 7

The adoption of these amendments did not have any impact on the amounts recognised in prior periods.

Management do not believe that the amendments to IAS12 will affect the current or future periods. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 8.

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group

A number of the new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those which are/may be relevant to the Group and expected to have significant effect on the consolidated financial statements of the Group are set out below. The Group is yet to assess the full impact of these changes.

- IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement.
- IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement.

  The impact that IFRS 15 will have on the financial statements is yet to be quantified. The Group are in the process of completing this assessment and at this stage are unable to conclude on the impact on the accounts. The Group has different contractual arrangements with each of its clients which requires a detailed review in order to assess the changes the Group will need to make to its revenue recognition policies once the standard is implemented.
- IFRS 16 *Leases* requires that operating leases be capitalised and an asset and a financial liability recognised in respect of those leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement if IFRS 15 is also applied.

  The impact that IFRS 16 will have on the financial statements is also as yet to be quantified. As a result of the Group's diverse geographic portfolio of business, the Group has a significant number of leases which will need to be assessed individually against the requirements of the standard.
- IFRS 2 *Share-based payments* ("SBP") provides clarification concerning the treatment of vesting and non-vesting conditions. It also clarifies the treatment when tax laws oblige an entity to withhold an amount for an employee's tax obligation associated with a SBP and to transfer that amount to the tax authority on the employee's behalf. Finally the amendment provides further guidance on accounting for modifications of options. The standard is effective for accounting periods beginning on or after 1 January 2018.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation is effective for accounting periods beginning on or after 1 January 2018.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

(b) Basis of consolidation

The Consolidated Statement of Comprehensive Income and Statement of Financial Position include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017 and present comparative information for the year ended 31 December 2016.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and to non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in the Statement of Comprehensive Income
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may require that the amounts previously recognised in other comprehensive income be reclassified to profit or loss.

(c) Going concern

The Group's forecast and projections, taking account of reasonable, possible changes in trading performance, show that the Group should be able to operate within the level of its current finance facilities. However, the Directors have sought and received assurance from the Group's major lenders that they will continue to provide financial support beyond the expiry of the existing loan facilities sufficient to enable the Board to conclude that the Group and the Company are going concerns.

The Group refinanced their loans and borrowings on 3 August 2017. See note 23 for more detail.

Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company and the Group continue to adopt the going concern basis in preparing the consolidated financial statements.

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non–controlling interest in the acquired entity. Non-controlling interests ('NCI') may be initially measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Acquisition costs incurred are expensed and included

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

in administrative expenses except for legal costs in relation to the issue of equity instruments, in connection with an acquisition, which are capitalised and net off against share premium.

When the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Any subsequent changes to the fair value of the contingent consideration are adjusted against the cost of the acquisition if they occur within the measurement period of 12 months following the date of acquisition. Any subsequent changes to the fair value of the contingent consideration after the measurement period are recognised in the Consolidated Statement of Comprehensive Income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

When the Group enters into options and forward contracts over shares relating to NCIs at the same time as the business combination, the NCI is recognised to the extent the risk and rewards of ownership of those shares remain with them. Irrespective of whether the NCI is recognised, a financial liability (redemption liability) is recorded to reflect the forward or put option. All subsequent changes to the liability are recognised in profit or loss. Where the risks and rewards of ownership remain with the NCIs, the recognised financial liability is a reduction in the controlling interest equity. The NCI is then recognised and is allocated its share of profits and losses accordingly. Dividends paid to the NCIs that do not reduce the contracted purchase price are deducted from the NCI carrying value. When forward or put options state that dividend payments reduce the contracted future purchase price, then the dividend amount is deducted from the redemption liability.

Transactions with NCIs that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal to NCIs are also recorded in equity.

(e) Foreign currency translation

Amounts included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The Consolidated financial statements are presented in Pounds Sterling, the Company's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income except when deferred in equity as qualifying cash flow and net investment hedges.

The results and financial position of all Group companies that have a functional currency other than sterling are translated as follows:

- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction date, in which case income and expenses are translated at the date of the transaction);
- assets and liabilities are translated at the closing exchange rate at Statement of Financial Position date; and
- all resulting exchange differences are recognised as other comprehensive income which is a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and from borrowings, are taken to equity. When a foreign operation is sold such exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale. Goodwill and fair value adjustments on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. Exchange differences arising are recognised in other comprehensive income.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

(f) Revenue and revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue represents the fees and commissions, net of discounts, derived from services provided to and invoiced to clients.

Revenue is recognised in the period in which the service is performed, in accordance with contractual arrangements. Income billed in advance of the performance of service is deferred and income in respect of work carried out but not billed at period end is accrued. In these cases, revenue is recognised by reference to the stage of completion which is measured by reference to labour hours incurred to the period end as a percentage of the total estimated labour hours for the contract.

Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write down the cost of all tangible fixed assets to estimated residual value over their expected useful lives as follows:

Office improvements	5 years, straight line (for leases see note (u))
Fittings and equipment	5 years, straight line
Computer equipment	3 years, straight line
Motor vehicles	5 years, straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Statement of Comprehensive Income.

(h) Intangible assets

Intangible assets comprise goodwill, certain corporate brand names and customer relationships acquired in business combinations, website development costs, software and other licences.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition. Goodwill on acquisition of an entity is included in intangible assets. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill has an indefinite useful life and therefore not amortised. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Corporate brand names and customer relationships acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Expenditure on website development, software and licences is initially stated at cost.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset, other than goodwill, on a straight-line basis over the estimated life of the asset. Estimated life and estimated residual value are

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

calculated on an asset by asset basis having regard to the nature of the asset, and the cash flows generated, or to be generated, by the asset historically and projected.

Amortisation is calculated to write down the cost of these assets to their estimated residual value over their expected useful lives as follows:

Brands	10 years, straight line
Customer relationships	5 years, straight line
Websites, software and licences	3 years, straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Statement of Comprehensive Income.

(i) Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset, and is determined over periods which are deemed to appropriately reflect the minimum expected period that the cash generating unit will operate for. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash generating units). Any impairment loss is immediately recognised as an expense in the Statement of Comprehensive Income.

(j) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations may include abandoned or closed operations which will not meet the held for sale criteria as they are not recovered principally through sale and therefore balance sheet presentation requirements will not be applicable to them.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Comprehensive Income.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(k) Investments

Fixed asset investments in subsidiaries are shown in the Company Statement of Financial Position at cost less any provision for impairment.

Investments in associate entities over which the Group has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control and/or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate. Any change in the OCI of those investments is presented as part of the Group's OCI. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associates.

At each reporting date, the Group determines whether it is necessary to recognise an impairment loss of its investment in its associates through examination of any objective evidence. The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'share of profit of an associate' in the Statement of Comprehensive Income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investments at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(l) Available for sale ('AFS') investments

AFS financial investments include equity instruments and debt securities. Equity instruments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial instruments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain and loss is recognised in finance cost, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Comprehensive Income in finance costs.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the partnership is unable to trade these financial assets due to inactive markets, the partnership may elect to reclassify these financial assets if members have the ability and intention to hold the assets for foreseeable future or until maturity.

For the financial assets reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate ('EIR'). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

(m) Work in progress

Work in progress is valued at cost, which includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where it is probable that such costs will not be recovered from future billing.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Any change in the provision is recognised in the Statement of Comprehensive Income.

(o) Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Consolidated Statement of Financial Position, bank overdrafts and loans repayable within one year are shown within loans and borrowings in current liabilities.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

(p) Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings and compound instruments

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs. In cases where these costs are settled at the time of the borrowing maturity and was added to the principal subject to an additional interest charge, this fee is capitalised as prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings issued to the Group that can be converted into share capital at the option of the issuer, and where the number of shares to be issued does not vary with changes in their fair value are classified by the Group as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to a liability and an equity component in proportion to the initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

Borrowings that can be converted into share capital at the option of the issuer but where the number of shares to be issued can vary fail the fixed test under IAS 32. As such this form of debt isn't accounted for as a compound instrument and as such no equity element arises.

(r) Taxation including deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except where it relates to items recognised directly in Equity.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax assets are recognised to the extent that the Group believes it is probable that future taxable profit will be available against which temporary timing differences and carry forward of unused tax credits/losses can be utilised. The Group's assessment of the recoverability of deferred tax assets is based on forecasts of the future profitability of the Group and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(s) Share capital and share premium

Ordinary shares are classified as equity. Share premium represents the amounts received in excess of the nominal value of the Ordinary shares less costs of the shares issued and is classified as equity.

(t) Share based payments

The Group makes equity-settled payments to its employees. Equity-settled share based awards are measured at fair value at the date of grant using an options pricing methodology and expensed over the vesting period of the award. At each Statement of Financial Position date, the Group reviews its estimate of the number of options that are expected to vest.

Shares issued to vendors in respect of the acquisition of interests in subsidiary undertakings are accounted for in accordance with accounting policy (d) above.

Equity-settled share based payments may also be made in settlement of professional costs in relation to costs incurred in the issue of new shares and in acquisition of subsidiary companies. In these cases, the payments are measured at fair value of services provided which will normally equate to the invoiced fees where those services are provided at arms' length in the normal course of trade. In the case of payments made for the issue of new shares, the fair value is charged against the share premium account or other reserves; charges in respect of other professional fees are expensed within the Consolidated Statement of Comprehensive Income for the year.

(u) Leasing commitments

Group as a lessee
Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases (net of any incentives received) are charged as operating costs to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Rental incomes under operating leases which are sublet are recognised over the lease term on a straight-line basis over the lease term.

Leases where significant risks and benefits incidental to ownership of the leased item have been transferred to the Group are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Consolidated Statement of Comprehensive Income.

Each leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of estimated useful life of the asset and the lease term.

(v) Finance costs

Finance costs, including interest, finance charges in respect of finance leases, bank charges and the unwinding of the discount on deferred consideration, are recognised in the Statement of Comprehensive Income in the year in which they are incurred using the effective interest rate method.

(w) Pensions and similar obligations

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis in respect of defined contribution plans. The Group has no further payment obligations once the contributions

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Payments to a defined contribution pension plan were charged as an expense to the Statement of Comprehensive Income, as incurred, when the related employee service is rendered. The Group has no further legal or constructive payment obligations once the contributions have been made.

(x) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Business Combinations**
  The Group has recognised customer relationships and brands relating to acquisitions it has made. The determination of estimated fair values of acquired intangible assets, as well as the expected useful life ascribed, requires the use of significant judgment. The Group has used the discounted cash flows and relief-from-royalty models in order to determine the fair value of acquired intangible assets. See note 15 for further details.

  Contingent consideration relating to acquisitions is recognised at fair value. This is determined based on management estimates of the most likely outcome, discounted to present value using an appropriate discount rate based on market inputs and management judgment. See note 20 for further details.

- **Revenue recognition**
  Where contracts are not complete at the period end, revenue is recognised by reference to the stage of completion. Contracts are reviewed on an individual basis with the involvement of the specific staff servicing each contract. The number of hours worked on a contract are ascertained by reviewing staff timesheets and the total hours estimated are taken from the original internal budget. See accounting policy (f) for further details.

- **Impairment of goodwill and intangible assets**
  The carrying value of goodwill and brands are subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with policies (h) and (i) stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates. See note 15 for further details.

- **Recoverability of investments and debts due from subsidiaries and related parties**
  Whether the carrying value of the Company's investment in subsidiaries, balances due from those subsidiaries and balances due from related parties is recoverable or impaired requires judgments and estimates relating to the prospects of those subsidiaries. The Directors assess the recoverability of these balances at each year end. Particularly in the case of start-up businesses, such judgments and estimates are subject to the uncertainty inherent in projections of expected future growth in revenue. See notes 17 and 26 for further details.

- **Control in another entity with less than half of the voting rights**
  The Group owns a 45% equity interest in Newgate Communications Singapore Pte. Ltd together with the right to acquire at any time a further 6% interest which right is deemed to be highly exercisable. After taking into account the Group's power over its investee, its exposure and rights to variable returns from its involvement with the investee, and its ability to use the power over the investee to affect the amount of investor's return, the Directors have concluded that the Group has a controlling interest in Newgate Communications Singapore Pte. Ltd and therefore the results of the acquired business since acquisition has been included in the Group's consolidated financial statements. See note 17 for further details.

- **Capital Access Group provision and contingent liability**
  Under the acquisition agreement for Capital Access, Porta has a guarantee of £1,000,000 against lender debt. See note 20 for further details.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

- **Deferred tax assets with respect to unused tax losses**

  Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

  The Group have assessed the likelihood of carried forward losses to be utilised and as a result have recognised deferred tax assets for £2,200,000 (2016: £6,400,000) of tax losses carried forward. The Group also has £10,900,000 (2016: £6,200,000) of unrecognised tax losses carried forward. These unrecognised tax losses relate to subsidiaries which have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. Management are not aware of any available tax planning opportunities that could quantify the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on these tax losses carried forward.

  If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,098,250. See note 6 for further details.

(y) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision–maker (the Group's Chief Executive Officer), who is responsible for allocating resources and assessing performance of the operating segments.

2. Segmental reporting

Business segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different resources and strategies. For each of the strategic divisions, the Group's Chief Executive Officer reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Corporate Communications includes public relations, public affairs and other corporate communication services
- Marketing & Advertising includes media buying, creative advertising, marketing and corporate branding services
- Head office, which is not an operating segment, includes services provided by the Group's corporate function, including group treasury and finance and management services.

The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in note 1.

Inter-segment pricing is determined on an arm's length basis. Segment result represents operating profit, which is the measure reported to the Chief Executive Officer. All assets and liabilities are allocated to reportable segments with the exception of tax and other centrally managed balances. Goodwill is allocated to segments as described in note 15.

31 December 2017 **£**	**Communications**	**Marketing & Advertising**	**Head Office**	**Total**
Total revenue	36,469,657	3,985,820	696,238	**41,151,715**
Less: Inter-segment revenue	(84,548)	(89,213)	(696,238)	**(869,999)**
Reportable segment revenue	36,385,109	3,896,607	–	**40,281,716**
Reportable segment gross profit	31,448,311	2,762,388	(2,571)	**34,208,128**
Depreciation, amortisation and impairments	(2,390,370)	(190,637)	(256,734)	**(2,837,741)**
Reportable segment results	1,892,908	194,676	(2,739,092)	**(651,508)**
Finance income	6,371	–	2,454	**8,825**
Finance expense	(218,135)	(16,564)	(1,313,147)	**(1,547,846)**
Tax (expense)/credit	(452,056)	185,632	(1,194,210)	**(1,460,634)**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

31 December 2016 £	Communications	Marketing & Advertising	Head Office	Total
Total revenue	31,837,288	5,504,863	570,126	37,912,277
Less: Inter-segment revenue	(103,271)	(88,929)	(570,126)	(762,326)
Reportable segment revenue	31,734,017	5,415,934	–	37,149,951
Reportable segment gross profit	26,709,143	3,037,822	–	29,746,965
Depreciation, amortisation and impairments	(3,811,968)	(664,590)	(365,883)	(4,842,441)
Reportable segment results	(348,554)	(1,168,058)	(2,428,464)	(3,945,076)
Finance income	32,635	–	164,868	197,502
Finance expense	(12,123)	–	(1,314,126)	(1,326,248)
Tax (expense)/credit	(12,675)	(81,648)	(8,299)	(102,622)

31 December 2017 **£**	**Communications**	**Marketing & Advertising**	**Head Office**	**Other/ Consol.**	**Total**
Reportable segment assets	21,908,825	2,740,170	15,585,193	(13,837,218)	**26,396,970**
Capital expenditure	420,567	10,309	17,979	–	**448,855**
Reportable segment liabilities	(12,693,481)	(6,012,591)	(16,605,859)	13,837,221	**(21,474,710)**

31 December 2016 £	Communications	Marketing & Advertising	Head Office	Other/ Consol.	Total
Reportable segment assets	24,012,838	2,424,946	14,419,772	(12,756,272)	28,101,284
Capital expenditure	194,818	2,234	15,615	–	212,667
Reportable segment liabilities	(11,713,424)	(5,469,644)	(17,467,629)	12,756,272	(21,894,425)

Geographical segments

Results

The analysis of results and assets by geographic region, based on the location of the operating company is as follows:

31 December 2017	**UK** **£**	**EMEA[1]** **£**	**Asia-Pacific** **£**	**Total** **£**
Revenue	22,956,842	261,212	17,063,662	**40,281,716**
Gross profit	18,637,015	226,849	15,344,264	**34,208,128**
Profit /(loss) on continuing operations before tax	(5,386,585)	(56,516)	2,420,304	**(3,022,797)**
Profit/(loss) on discontinued operations before tax	–	–	–	**–**

31 December 2016	UK £	EMEA[1] £	Asia-Pacific £	Total £
Revenue	24,338,315	326,729	12,484,907	37,149,951
Gross profit	18,372,056	281,024	11,093,885	29,746,965
Profit/(loss) on continuing operations before tax	(6,520,834)	(8,782)	1,449,554	(5,080,062)
Loss on discontinued operations before tax	(387,500)	–	–	(387,500)

1. The EMEA region consists of Europe, Middle East and Africa.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

The split of the client based revenue as a percentage of Group revenue:

Client based revenue	2017	2016
United Kingdom	55%	58%
Australia	36%	27%
USA	1%	2%
Europe	2%	5%
Hong Kong and Singapore	5%	6%
Other	1%	2%

No individual client sales were greater than 10% of Group revenue (2016: None).

Assets and liabilities 31 December 2017	UK £	EMEA[1] £	Asia-Pacific £	Intercompany £	Total £
Non-current assets	11,763,724	2,254	1,628,646	–	13,394,624
Current assets	10,005,713	87,758	4,915,292	(2,006,417)	13,002,346
Current liabilities	(13,509,442)	(716,146)	(3,878,372)	2,006,417	(16,097,543)
Non-current liabilities	(5,197,356)	–	(179,811)	–	(5,377,167)
	3,062,639	(626,134)	2,485,755	–	4,922,260

31 December 2016	UK £	EMEA[1] £	Asia-Pacific £	Intercompany £	Total £
Non-current assets	16,040,989	3,752	1,290,195	–	17,334,936
Current assets	10,573,710	178,831	4,190,314	(4,176,507)	10,766,348
Current liabilities	(16,750,719)	(699,053)	(2,376,370)	4,176,507	(15,649,635)
Non-current liabilities	(6,109,212)	(22,080)	(113,498)	–	(6,244,790)
	3,754,768	(538,550)	2,990,641	–	6,206,859

1. The EMEA region consists of Europe, Middle East and Africa.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

3. Expenses – analysis by nature

The operating loss on continuing activities is stated after charging:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Employment costs (see note 4)	**23,939,661**	21,814,015
Auditor's remuneration:		
Fees payable to the Company's auditors for		
– The audit of the Group's consolidated financial statements	**45,900**	36,000
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**74,000**	79,000
– Tax compliance services	**32,200**	32,200
– Other non-audit services not covered above	**54,083**	44,608
Legal and other professional consultancy costs	**482,119**	258,769
Operating lease expense	**1,972,050**	1,731,079
Amortisation of acquired intangible assets	**1,832,625**	2,101,348
Amortisation of other intangible assets	**92,870**	93,248
Impairment charges	**511,098**	2,259,604
Depreciation	**401,148**	388,241
Acquisition costs	**6,809**	8,235
And after crediting:		
Rental income in respect of sub-leases	**375,481**	375,671

The amount shown for fees payable to the Company's auditors for the audit of the Group's consolidated financial statements includes £22,000 (2016: £19,000) in respect of the Company's own audit.

4. Employment benefit expense

Employment costs and staff numbers

Employment costs relating to continuing activities during the year were as follows:

Group

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages, salaries and non-executive fees	**20,306,480**	18,825,127
Pension costs	**1,070,160**	903,457
Share based payments	**120,736**	218,232
Social security costs	**1,991,889**	1,409,095
Other employment related welfare costs	**450,396**	458,104
	23,939,661	21,814,015

Wages and salaries above includes redundancy costs of £344,429 (2016: £247,329).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages, salaries and non-executive fees	**1,079,229**	1,102,532
Pension costs	**76,656**	74,840
Share based payments	**106,174**	114,952
Social security costs	**129,815**	130,414
Other employment related welfare costs	**50,024**	57,796
	1,441,898	1,480,534

Wages and salaries above includes redundancy costs of £223,601 (2016: £732).

Group

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

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Sales	**204**	195
Management	**26**	41
Administration	**43**	43
	273	279

Company

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Management	**3**	2
Administration	**9**	11
	12	13

Directors' remuneration

The remuneration of the Directors for the year amounted to £1,154,403 (2016: £977,109). The remuneration of the highest paid Director was £372,560 (2016: £323,069). No bonuses were paid to directors for the year ended 31 December 2017 (2016: none). In addition to these amounts, £105,224 was charged to the Statement of Comprehensive Income in relation to share options held by Directors during the year (2016: £113,141). All of the above remuneration is accounted for within continuing operations. Further details of share based payments are given in note 22.

Further details of Directors' remuneration are set out in the Report of the Remuneration Committee which are incorporated into these notes by way of reference.

Retirement benefits

The Company provides for retirement benefits for Executive Directors and certain employees through contributions to a defined contribution plan.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

5. Finance expense and finance income

Group

Continuing operations:	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest on financial liabilities measured at amortised cost	1,197,871	1,326,248
Clydesdale arrangement fees and Leumi termination fees	305,988	–
Net foreign exchange loss	43,987	–
Finance costs	1,547,846	1,326,248
Interest income on bank deposits	8,825	13,876
Net foreign exchange gain	–	183,626
Finance income	8,825	197,502

6. Income tax

Group

Continuing operations:	Year ended 31 December 2017 £	Year ended 31 December 2016 £
UK: Current tax charge	(125,522)	(246,098)
UK: Deferred tax (charge)/credit	(667,470)	587,312
Total UK tax (charge)/credit	(792,992)	341,214
Overseas: Current tax charge	(768,533)	(315,088)
Overseas: Deferred tax credit/(charge)	100,891	(128,748)
Total overseas tax charge	(667,642)	(443,836)
Total income tax charge for the year	(1,460,634)	(102,622)

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19.25% (2016: 20%) for the reasons set out in the following table:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Loss before taxation on continuing activities	(3,022,797)	(5,080,062)
Income tax credit computed at the statutory tax rate on loss before taxation on all activities	581,888	1,016,012
Adjustments in respect of deferred and income tax of prior years	(39,413)	(143,688)
Expenses not deductible for tax purposes	(558,237)	(263,146)
Income not chargeable to taxation	20,844	–
Overseas profits taxed at differing rates	(198,231)	(136,686)
Unrecognised tax losses brought forward now utilised	42,244	177,593
Tax losses not relieved not recognised	(1,251,755)	(783,720)
Change in recognised temporary differences	(20,000)	31,013
Change in tax rate in respect of deferred taxation	(37,974)	–
Total tax charge for the year	(1,460,634)	(102,622)

Unrecognised deferred tax assets

The Group has tax losses of approximately £10,900,000 (2016: £6,200,000) available to be utilised against future taxable profits in their relevant countries of operations.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2017	Assets £	Liabilities £	Net £
Intangible assets	–	(723,283)	**(723,283)**
Fixed assets	7,225	(69,013)	**(61,788)**
Trade and other payables	179,984	–	**179,984**
Trade and other receivables	–	(174,152)	**(174,152)**
Tax loss carry-forward	434,025	–	**434,025**
Net tax liabilities	**621,234**	**(966,448)**	**(345,214)**

Movements in deferred tax balances during the year were as follows:

31 December 2017	Balance at 1 January 2017 £	Recognised in profit or loss[1] £	Exchange differences and transfers £	Balance at 31 December 2017 £
Intangible assets	(1,101,239)	377,956	–	**(723,283)**
Fixed assets	(37,672)	(23,944)	(172)	**(61,788)**
Trade and other payables	77,482	102,502	–	**179,984**
Trade and other receivables	–	(174,152)	–	**(174,152)**
Tax loss carry-forward	1,282,966	(848,941)	–	**434,025**
Net tax liabilities	**221,537**	**(566,579)**	**(172)**	**(345,214)**

1. The deferred tax balance relates to continuing operations.

31 December 2016	Assets £	Liabilities £	Net £
Intangible assets	–	(1,101,239)	(1,101,239)
Fixed assets	7,842	(45,514)	(37,672)
Trade and other payables	190,983	(113,501)	77,482
Tax loss carry-forward	1,282,966	–	1,282,966
Net tax assets	1,481,791	(1,260,254)	221,537

Movements in deferred tax balances during the year were as follows:

31 December 2016	Balance at 1 January 2016 £	Recognised in profit or loss[1] £	Exchange differences and transfers £	Balance at 31 December 2016 £
Intangible assets	(1,755,155)	653,916	–	(1,101,239)
Fixed assets	(7,873)	(24,120)	(5,679)	(37,672)
Trade and other payables	63,159	14,323	–	77,482
Tax loss carry-forward	1,468,521	(185,555)	–	1,282,966
Net tax assets	(231,348)	458,564	(5,679)	221,537

1. The deferred tax balance relates to continuing operations.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2017	Assets £	Liabilities £	Net £
Tangible assets	–	(36,986)	**(36,986)**
Trade and other payables	8,824	–	**8,824**
Tax loss carry-forward	194,810	–	**194,810**
Net tax assets	**203,634**	**(36,986)**	**166,648**

31 December 2016	Assets £	Liabilities £	Net £
Tangible assets	–	(15,331)	(15,331)
Trade and other payables	190,845	–	190,845
Tax loss carry-forward	1,185,343	–	1,185,343
Net tax assets	1,376,188	(15,331)	1,360,857

7. Financial Risk Management

Group

The Group's financial assets and financial liabilities, as defined by IAS 32, are categorised as follows:

	Notes	31 December 2017 £	Restated 31 December 2016 £
Available for sale investments – at fair value through OCI			
Quoted equity shares		**8,500**	8,500
Financial assets at amortised cost			
Non-current assets	18	**923,775**	923,775
Trade receivables	18	**6,881,200**	5,745,130
Other debtors	18	**1,202,954**	498,136
Cash and cash equivalents		**3,530,007**	1,854,553
		12,546,436	9,030,094
Financial liabilities – held at amortised cost			
Trade payables	19	**(1,552,515)**	(2,586,123)
Other liabilities		**(3,980,390)**	(3,651,006)
Loans and borrowings	23	**(8,803,777)**	(9,506,061)
Bank overdrafts	23	**(3,093,484)**	–
Financial liabilities – held at fair value through profit or loss			
Provisions	20	**(513,807)**	(1,328,436)
		(17,943,973)	(17,071,626)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

	Notes	31 December 2017 £	Restated 31 December 2016 £
Financial assets at amortised cost			
Non-current assets	18	**923,775**	923,775
Trade receivables	18	**43,251**	43,163
Other debtors	18	**96,402**	233,621
Cash and cash equivalents		**1,525,873**	101,432
		2,589,301	1,301,991
Financial liabilities – held at amortised cost			
Trade payables	19	**(220,824)**	(1,180,916)
Other liabilities	19	**(1,633,636)**	(2,135,790)
Loans and borrowings	23	**(8,770,803)**	(9,463,473)
Bank overdrafts	23	**(3,093,484)**	–
Financial liabilities – held at fair value through profit or loss			
Provisions	20	**–**	(264,512)
		(13,718,747)	(13,044,691)

Management have assessed that the fair value of cash and short term deposits, trade receivables, trade payables and bank overdrafts and other current liabilities approximate to their carrying amounts as those items have short term maturities.

The quoted equity shares are categorised as a Level 1 investment for the purpose of the IFRS 13 fair value hierarchy and are valued using quoted prices in active markets for these investments at the reporting date. The value of quoted shares at 31 December 2017 is not materially different from original cost and hence no OCI movement arises.

Contingent consideration, within provisions, is categorised as a Level 3 investment for the purpose of the IFRS 13 fair value hierarchy, valued by reference to valuation techniques using inputs that are not based on observable market data. Details of changes in Level 3 financial liabilities and of the valuation process and inputs applied are given in note 20.

The fair value of other financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long-term fixed rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and the individual creditworthiness of the counterparty. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board of Directors. The Board is responsible for the identification of the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks. The most important types of risk are credit risk, liquidity risk, and market risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from clients. Clients who wish to trade on credit terms are generally subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

An impairment analysis is performed at each reporting date on an individual basis for all clients. The calculation is based on actual incurred historical data. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above.

Details of exposure to trade debtors is given in note 18.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The Group financed its operations during the year from reserves, equity injection from a strategic investor and a new rolling credit facility (see note 23). Operating companies' cash requirements are monitored on a rolling working capital forecast basis and funded, where necessary, from Group funds.

Market risk

(a) Currency translation risk

The Group's subsidiaries operate in Europe, Australia, Singapore, Hong Kong and Abu Dhabi and revenues and expenses are denominated in Pound Sterling (GBP), Euro (EUR), Australian Dollar (AUD), Singapore Dollar (SGD), Hong Kong Dollar (HKD) and United Arab Emirates Dirham (AED). The Group's Sterling (GBP) Statement of Financial Position is not protected from movements in the exchange rate between these currencies and Sterling. The overall exposure to foreign currency risk is considered by management to be low.

The following table demonstrates the sensitivity to reasonably possible change in significant currencies to the Group such as EUR, AUD, SGD and HKD to GBP exchange rates, with all other variables held constant. The impact on the Group profit/(loss) before tax is due to changes in the fair value of monetary assets and liabilities. The Group exposure to possible changes in all other foreign exchange currencies is not deemed material.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

	2017		Restated 2016	
Effect on profit/(loss) before tax	+5% £	-5% £	+5% £	-5% £
Euro	**8,135**	**(8,135)**	29,220	(29,220)
Australian Dollar	**143,165**	**(143,165)**	84,853	(84,853)
Singapore Dollar	**20,041**	**(20,041)**	14,933	(14,933)
Hong Kong Dollar	**8,193**	**(8,193)**	13,803	(13,803)

Effect on equity	+5% £	-5% £	+5% £	-5% £
Euro	**327**	**(327)**	1,091	(1,091)
Australian Dollar	**69,093**	**(69,093)**	107,075	(107,075)
Singapore Dollar	**29,685**	**(29,685)**	19,227	(19,227)
Hong Kong Dollar	**10,530**	**(10,530)**	6,989	(6,989)

(b) Interest rate risk

The interest rate risk profile of the Group's financial assets, excluding work in progress, trade and other receivables, was as follows:

Cash and cash equivalents: interest rate exposure	31 December 2017 £	31 December 2016 £
Floating rate	**–**	–
Fixed rate	**322,914**	198,821
Non-interest bearing	**3,207,093**	1,655,732
	3,530,007	1,854,553

The fixed rate cash deposits mature on various dates within one year of the year end and bear interest at 1.5% per annum (2016: 1.8% per annum).

The interest rate risk profile of the Group's financial liabilities was as follows:

Loans and borrowings	31 December 2017 £	31 December 2016 £
Fixed rate convertible loans	**(5,184,550)**	(5,228,516)
Fixed rate loans and borrowings	**(3,619,227)**	(4,277,545)
Variable rate loans and borrowings[1]	**(3,093,484)**	–
	(11,897,261)	(9,506,061)

1. Revolving credit facility with a margin of 3.85% over a 3 month LIBOR.

Fixed rate interest bearing loans and borrowings excluding finance leases are subject to various interest rates. Further details of loans and interest rates are given in note 23 and further details of finance lease arrangements in note 24.

Sensitivity Analysis

The Group has assessed the impact of the LIBOR rate changing on the interest payable with respect to the Clydesdale revolving credit facility and deemed it to be immaterial. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the end of the period would not affect profit or loss or equity.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Maturity profile of financial liabilities

	31 December 2017 £	Restated 31 December 2016 £
Due in six months or less	**13,291,097**	6,491,880
Due between six months and 1 year	**242,156**	5,764,101
Due between 1 year and 2 years	**288,444**	1,637,147
Due between 2 and 5 years	**4,122,276**	3,156,418
Due in 5 years or more	**–**	22,080
	17,943,973	17,071,626

8. Capital risk management

The capital structure of the Group comprises the equity attributable to equity holders of the parent company, which includes issued share capital, reserves and retained earnings. Quantitative data on these are set out in the Consolidated and Company Statement of Changes in Equity.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors its capital structure on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	31 December 2017 £	31 December 2016 £
Total borrowings (note 23)	**11,897,261**	9,506,061
Less: cash and cash equivalents	**(3,530,007)**	(1,854,553)
Net debt	**8,367,254**	7,651,508
Total equity	**4,922,260**	6,206,859
Total capital	**13,289,514**	13,858,367
Gearing ratio	**63.0%**	55.2%

The increase in the gearing ratio during 2017 resulted from mainly the funding of losses, as well as the inception of the Clydesdale Revolving Credit Facility.

Under the terms of the Clydesdale Revolving Credit Facility, the Group is required to comply with the following covenants:

- the adjusted leverage must not exceed the ratio of 2.25:1,
- the security group leverage must not exceed the ratio of 2:1,
- the interest cover must not be less than the ratio of 10:1, and
- the capital expenditure of the Group must not exceed 120% of the amount set out in the Group's management forecasts.

The group has complied with the covenants throughout the reporting period.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Net debt reconciliation

The below table sets out the movements in net debt in the year:

	Cash £	Finance leases due within 1 year £	Finance leases due after 1 year £	Borrowings due within 1 year £	Borrowings due after 1 year £	Total £
At 1 January 2017	**1,854,553**	**(113,901)**	**(114,967)**	**(6,140,869)**	**(3,136,324)**	**(7,651,508)**
Net cash flows	1,700,111	129,240	–	(2,709,239)	–	**(879,888)**
Acquisitions – finance leases	–	(3,843)	(7,233)	–	–	**(11,076)**
Foreign exchange adjustments	(24,657)	–	–	1,895	–	**(22,762)**
Other non-cash movements	–	(121,508)	96,326	549,994	(326,832)	**197,980**
At 31 December 2017	**3,530,007**	**(110,012)**	**(25,874)**	**(8,298,219)**	**(3,463,156)**	**(8,367,254)**

9. Discontinued operations

The results of the discontinued operations for the year are as follows:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Expenses	–	(387,500)
Loss before tax on discontinued operations	–	(387,500)
Taxation	–	–
Loss from discontinued operations after taxation	–	(387,500)

Since the year end and up to the date of approval of these financial statements no additional losses or gains have occurred in respect of the discontinued operations.

10. Acquisitions of subsidiaries

Acquisition of additional interest in a subsidiary

During the year the group acquired additional interests in the following subsidiaries. The effect of changes in the ownership interest on the equity attributable to owners of the company during the year is summarised as follows:

For the year ended 31 December 2017

Company	Date of acquisition	% acquired in year	% owned at year end	Consideration	Carrying amount of NCI acquired	Excess of consideration paid recognised in equity
Redleaf Polhill Limited	13/06/2017	15%	81%	850,037	375,952	474,085
Newgate Communications Pty Ltd.[1]	03/08/2017	4.43%	62.29%	277,375	(78,578)	355,953
				1,127,412	**297,374**	**830,038**

[1] An adjustment of £90,662 was made to the carrying amount acquired of Newgate Communications Pty Ltd. (Australia) in 2017 with respect to prior year's dividends calculated at 57.86% rather than 51%.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

For the year ended 31 December 2016 Company	Date of acquisition	% acquired in year	% owned at year end	Consideration	Carrying amount of NCI acquired	Excess of consideration paid recognised in equity
Redleaf Polhill Limited	13/09/2016	15%	66%	805,427	380,893	424,534
Newgate Communications (HK) Limited	07/12/2016	9%	60%	181,767	13,682	168,085
Newgate Communications Pty Ltd.	07/12/2016	6.86%	57.86%	345,840	92,717	253,123
13 Communications Limited	31/12/2016	49%	100%	1	(182,045)	182,046
				1,333,035	305,247	1,027,788

11. Non-controlling interests

During the year ended 31 December 2017 the Group had two subsidiaries with material non-controlling interests: Redleaf Polhill Limited and Newgate Communications Pty Limited. Summarised financial information including related consolidated adjustments before intragroup eliminations in respect of these subsidiaries is presented in the table below.

	Newgate Communications Pty Limited		**Redleaf Polhill Limited**	
	Year ended 31 December 2017 £	Restated Year ended 31 December 2016 £	**Year ended 31 December 2017 £**	Restated Year ended 31 December 2016 £
Current assets	**3,412,549**	3,461,494	**862,484**	1,026,625
Current liabilities	**(3,243,109)**	(2,077,720)	**(543,909)**	(723,268)
Net current assets	**169,440**	1,383,774	**318,575**	303,357
Non-current assets	**393,754**	141,546	**2,475,874**	2,971,173
Non-current liabilities	**(8,189)**	(113,498)	**(201,343)**	(307,666)
Net non-current assets	**385,565**	28,048	**2,274,531**	2,663,507
Net assets	**555,005**	1,411,821	**2,593,106**	2,966,863
Non-controlling interests	**209,292**	594,941	**492,690**	1,008,733
Group ownership	**62.29%**	57.86%	**81%**	66%
NCI %	**37.71%**	42.14%	**19%**	34%
Revenue	**14,105,654**	10,087,931	**4,381,217**	4,064,064
Profit for the year	**1,357,556**	863,132	**581,518**	501,222
Other comprehensive income	**(15,774)**	198,255	**–**	–
Total comprehensive income	**1,341,782**	1,061,387	**581,518**	501,222
Attributable to non-controlling interests	**558,242**	422,935	**156,876**	223,314
Dividends paid to non-controlling interests	**1,050,970**	269,402	**296,966**	343,504

	Newgate Communications Pty Limited		**Redleaf Polhill Limited**	
	Year ended 31 December 2017 £	Year ended 31 December 2016 £	**Year ended 31 December 2017 £**	Year ended 31 December 2016 £
Cash flows from operating activities	**1,603,197**	654,845	**719,029**	972,903
Cash flows from investing activities	**(1,004,125)**	(337,535)	**(315,104)**	(361,901)
Cash flows from financing activities	**–**	–	**–**	34,630
Payment of dividend to parent Company	**(550,923)**	(252,105)	**(658,243)**	(409,736)
Net increase/(decrease) of cash and cash equivalents	**48,149**	65,205	**(254,318)**	235,896

Further information about non-controlling interests is given in note 17.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

12. Investment in associates

The Group has a 43.89% interest in Capital Access Group ("Capital Access"), a corporate communications, investor access and equity research provider, 29.5% of which was acquired in a non-cash acquisition on 28 July 2015. Under the acquisition agreement, the Group provides Capital Access with office services for 3 ½ years from acquisition and guarantees a maximum of £2,000,000 of debt (of which £1,000,000 of guarantees remain outstanding). Any calls on the guarantee will be satisfied by the issue of Ordinary shares in Porta at a value of no less than 10p per share. See note 20 which includes details of provisions and contingent liabilities relating to Capital Access. Porta has a call option over the remaining equity in Capital Access, exercisable in four tranches from 1 January 2018. The call option is payable in Ordinary shares of Porta, again at a value of no less than 10p per share, but Porta has no obligation to purchase the outstanding equity in the associate.

On 25 October 2017, the Group acquired 300 Ordinary shares of £0.01 each in Capital Access for a total consideration of £3, and then subsequently transferred 100 Ordinary shares back to Capital Access on 1 December 2017 for nil consideration. This resulted in an increase in ownership from 29.5% to 43.89% by the year end.

The registered office address is: Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE.

The Group disposed of its entire 25.1% interest in Team Darwin Limited, a community powered creative business on 11 October 2017 for a total consideration of £11,000.

The following table summarises the financial information of the Group's investments in its associated companies at the end of the financial year.

Group

	Year ended 31 December 2017		Year ended 31 December 2016		
	Capital Access £	Total £	Capital Access £	Team Darwin £	Total £
Revenue	1,519,092	**1,519,092**	2,159,854	107,601	2,267,455
Cost of sales	(69,770)	**(69,770)**	(107,443)	(105,315)	(212,758)
Administration expenses	(1,595,064)	**(1,595,064)**	(1,754,090)	(39,082)	(1,793,172)
Net finance expense	(173,445)	**(173,445)**	(295,543)	15	(295,528)
(Loss)/profit for the period	(319,187)	**(319,187)**	2,778	(36,781)	(34,003)
Other comprehensive income	–	**–**	–	–	–
Total comprehensive income	(319,187)	**(319,187)**	2,778	(36,781)	(34,003)
Group ownership	43.89%		29.5%	25.1%	
(Loss)/profit attributable to the Group	(119,784)	**(119,784)**	815	(9,232)	(8,417)
Carrying value of the investment at 1 January	787,946	**787,946**	719,431	126,490	845,921
Acquired during the year	44,322	**44,322**	67,700	–	67,700
Share of profit/(loss) in associate during the year	31,544	**31,544**	815	(7,055)	(6,240)
Impairment	(863,812)	**(863,812)**	–	(119,435)	(119,435)
Carrying value of the investment at 31 December	–	**–**	787,946	–	787,946

On performing annual impairment reviews it was determined that Porta's holding in Capital Access should be fully impaired. Capital Access has made losses for consecutive years with pessimistic expectations for the future, and as a result its carrying amount has been reduced to nil.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

	As at 31 December 2017		As at 31 December 2016		
	Capital Access £	Total £	Capital Access £	Team Darwin £	Total £
Current assets	649,995	**649,995**	838,466	31,725	870,191
Current liabilities	(118,341)	**(118,341)**	(399,720)	(23,729)	(423,449)
Net current assets	531,654	**531,654**	438,746	7,996	446,742
Non-current assets	5,223,445	**5,223,445**	5,219,908	2,166	5,222,074
Non-current liabilities	(4,039,894)	**(4,039,894)**	(3,696,149)	–	(3,696,149)
Net non-current assets	1,183,551	**1,183,551**	1,523,759	2,166	1,525,925
Net assets	1,715,205	**1,715,205**	1,962,505	10,162	1,972,667

Company

	As at 31 December 2017		As at 31 December 2016	
	Capital Access £	Total £	Capital Access £	Total £
Carrying value of the investment at 1 January	819,489	**819,489**	751,790	751,790
Acquired during the year	44,322	**44,322**	67,700	67,700
Group restructuring	–	**–**	(1)	(1)
Impairment	(863,811)	**(863,811)**	–	–
Carrying value of the investment at 31 December	–	**–**	819,489	819,489

13. Loss per share

The loss per share has been calculated using the weighted average number of shares in issue during the relevant financial year. The weighted number of Ordinary shares in issue and the loss, being the loss after tax, used in these calculations are as follows:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Weighted average number of shares (Ordinary and dilutive)	**378,394,062**	283,561,567

	£	£
Loss on continuing activities after tax	**(5,438,690)**	(5,905,060)
Loss on discontinued activities after tax	**–**	(387,500)
Loss on continuing and discontinued activities after tax	**(5,438,690)**	(6,292,560)

No share options or warrants outstanding at 31 December 2017 or 31 December 2016 were dilutive and all such potential Ordinary shares are therefore excluded from the weighted average number of Ordinary shares for the purposes of calculating diluted earnings per share.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

14. Profit accounted for in the parent company

As permitted under Section 408 of the Companies Act 2006, the Statement of Comprehensive Income for the Company is not presented as part of these financial statements. The Company's loss for the year, after tax, was £4,490,656 (2016: £5,994,890).

15. Intangible assets

Group

Cost	Goodwill £	Customer relationships £	Brands £	Websites, software and licences £	Total £
At 1 January 2016	8,066,928	9,380,000	3,187,000	372,193	21,006,121
Additions in the year	–	–	–	81,236	81,236
Translation differences	173,970	–	–	(2,161)	171,809
At 31 December 2016	**8,240,898**	**9,380,000**	**3,187,000**	**451,268**	**21,259,166**
Additions in the year	–	–	–	140,378	**140,378**
Disposal in the year	–	(250,000)	–	(63,395)	**(313,395)**
Translation differences	(57,908)	–	–	(116)	**(58,024)**
At 31 December 2017	**8,182,990**	**9,130,000**	**3,187,000**	**528,135**	**21,028,125**
Amortisation and impairment	**£**	**£**	**£**	**£**	**£**
At 1 January 2016	–	3,221,817	569,406	158,706	3,949,929
Charge for the year	–	1,782,681	318,667	93,248	2,194,596
Impairment	935,559	247,480	837,000	–	2,020,039
Translation differences	–	–	–	(3,030)	(3,030)
At 31 December 2016	**935,559**	**5,251,978**	**1,725,073**	**248,924**	**8,161,534**
Charge for the year	–	1,609,675	222,950	92,870	**1,925,495**
Eliminated on third party sale	–	(250,000)	–	(63,395)	**(313,395)**
Impairment	488,227	–	–	–	**488,227**
Translation differences	–	–	–	(85)	**(85)**
At 31 December 2017	**1,423,786**	**6,611,653**	**1,948,023**	**278,314**	**10,261,776**
Net book value	**£**	**£**	**£**	**£**	**£**
At 1 January 2016	8,066,928	6,158,183	2,617,594	213,487	17,056,192
At 31 December 2016	7,305,339	4,128,022	1,461,927	202,344	13,097,632
At 31 December 2017	**6,759,204**	**2,518,347**	**1,238,977**	**249,821**	**10,766,349**

The average remaining amortisation period for indefinite life intangible assets recognised at 31 December 2017 is approximately 6 years for brands (2016: 7 years) and 1 year for customer relationships (2016: 2 years).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, the aggregate carrying amount of goodwill is allocated to each cash-generating unit (CGU) as follows.

Reporting Segment		31 December 2017 £	31 December 2016 £
Communications	ICAS Limited (trading as Publicasity)	**188,789**	188,789
Communications	Newgate Communications Limited	**3,545,117**	4,033,344
Communications	Newgate Communications (HK) Limited	**515,570**	568,041
Communications	Newgate Communications (Singapore) Pte. Ltd	**503,826**	509,262
Communications	PPS (Local and Regional) Limited	**–**	–
Communications	Redleaf Polhill Limited	**1,406,358**	1,406,358
Marketing	21:12 Communications Limited	**599,544**	599,545
		6,759,204	7,305,339

The recoverable amount of the cash generating units has been determined on a value-in-use basis, calculated by discounting future cash flows which are expected to be generated from the continuing use of each cash-generating unit.

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates, and forecast EBITDA. The EBITDA forecasts are based on one year forecasts approved by the Board and based on management's estimate of the business within the cash-generating unit, for five years thereafter based on an average growth projection, and a long-term growth rate into perpetuity. For all cash-generating units the resulting cash flows have been discounted using a pre-tax weighted average cost of capital of 10% (2016: 12%) and a terminal growth rate of 2.5% (2016: 2.5%) has been applied in perpetuity. The discount rate was based on the risk-free rate obtained from UK Government Gilts, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk specific to the Group.

Porta performs annual impairment reviews over its subsidiaries and as a result of the performance in 2017 and forecasts for 2018 onwards, Porta has determined there to be an impairment in two cash-generating units.

On 1 January 2017, the trade and assets of 13 Communications Limited were transferred at book value to Newgate Communications Limited ("Newgate UK"). This trade within Newgate UK then ceased as at 31 December 2017 and the relevant employees and clients moved to The Playbook Consulting Limited. The Goodwill of £349,999 relating to 13 Communications Limited has been impaired to nil.

The Goodwill relating to Cauldron Consulting Limited ("Cauldron") of £138,228 has been fully impaired in the year. All original staff and clients, which were transferred from Cauldron to Newgate UK in 2014, have now left and no further revenues from this trade are expected.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

Cost	**Websites, software and licences £**	**Total £**
At 1 January 2016	283,655	283,655
Additions in the year	62,904	62,904
At 31 December 2016	**346,559**	**346,559**
Additions in the year	115,725	**115,725**
Disposals in the year	(13,946)	**(13,946)**
At 31 December 2017	**448,338**	**448,338**

Amortisation	**£**	**£**
At 1 January 2016	87,625	87,625
Charge for the year	80,087	80,087
At 31 December 2016	**167,712**	**167,712**
Charge for the year	74,486	**74,486**
Eliminated on disposal	(13,946)	**(13,946)**
At 31 December 2017	**228,252**	**228,252**

Net book value	**£**	**£**
At 1 January 2016	196,030	196,030
At 31 December 2016	178,847	178,847
At 31 December 2017	**220,086**	**220,086**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

16. Property, plant and equipment

Group

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor vehicles £	Total £
At 1 January 2016	1,122,431	549,017	456,379	58,728	2,186,555
Additions in the year	70,761	44,713	97,193	–	212,667
Disposals in year	(133,503)	(6,316)	(1,249)	–	(141,068)
Translation differences	31,886	21,378	21,790	–	75,054
At 31 December 2016	**1,091,575**	**608,792**	**574,113**	**58,728**	**2,333,208**
Additions in the year	277,939	47,357	123,559	–	**448,855**
Transfers between categories	(316,748)	(15,404)	332,152	–	**–**
Disposals in year	–	(5,533)	(335,937)	–	**(341,470)**
Translation differences	(9,879)	(2,746)	(5,062)	–	**(17,687)**
At 31 December 2017	**1,042,887**	**632,466**	**688,825**	**58,728**	**2,422,906**

Depreciation	£	£	£	£	£
At 1 January 2016	489,068	209,512	285,282	20,890	1,004,752
Charge for the year	173,196	119,560	84,625	10,860	388,241
Transfers between categories	21,113	–	(21,113)	–	–
Eliminated on disposal	(133,498)	(6,234)	(974)	–	(140,706)
Translation differences	21,831	11,352	12,446	–	45,629
At 31 December 2016	**571,710**	**334,190**	**360,266**	**31,750**	**1,297,916**
Charge for the year	194,986	98,435	98,382	9,345	**401,148**
Transfers between categories	(312,846)	3,891	308,955	–	**–**
Eliminated on disposal	–	(5,533)	(335,937)	–	**(341,470)**
Translation differences	(4,148)	(2,055)	(3,251)	–	**(9,454)**
At 31 December 2017	**449,702**	**428,928**	**428,415**	**41,095**	**1,348,140**

Net book value	£	£	£	£	£
At 1 January 2016	633,363	339,505	171,097	37,838	1,181,803
At 31 December 2016	519,865	274,602	213,847	26,978	1,035,292
At 31 December 2017	**593,185**	**203,538**	**260,410**	**17,633**	**1,074,766**

The net book value of assets held under finance leases as at 31 December 2017 was £148,920 (2016: £203,836).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor vehicles £	Total £
At 1 January 2016	826,729	148,168	116,086	24,000	1,114,983
Additions in year	5,969	1,367	8,279	–	15,615
Disposals in year	(93,046)	–	–	–	(93,046)
At 31 December 2016	**739,652**	**149,535**	**124,365**	**24,000**	**1,037,552**
Additions in year	13,076	3,384	1,519	–	**17,979**
Acquired with subsidiary	–	–	403	–	**403**
Disposals in year	–	(1,178)	(32,525)	–	**(33,703)**
At 31 December 2017	**752,728**	**151,741**	**93,762**	**24,000**	**1,022,231**

Depreciation	£	£	£	£	£
At 1 January 2016	280,751	70,544	101,311	10,400	463,006
Charge for the year	117,824	22,212	20,830	4,800	165,666
Eliminated on disposal	(93,046)	–	–	–	(93,046)
At 31 December 2016	**305,529**	**92,756**	**122,141**	**15,200**	**535,626**
Charge for the year	117,795	18,592	18,190	4,800	**159,377**
Transfer between categories	21,113	–	(21,113)	–	**–**
Eliminated on disposal	–	(1,178)	(32,525)	–	**(33,703)**
At 31 December 2017	**444,437**	**110,170**	**86,693**	**20,000**	**661,300**

Net book value	£	£	£	£	£
At 1 January 2016	545,978	77,624	14,775	13,600	651,977
At 31 December 2016	434,123	56,779	2,224	8,800	501,926
At 31 December 2017	**308,291**	**41,571**	**7,069**	**4,000**	**360,931**

The net book value of assets held under finance leases as at 31 December 2017 was £135,286 (2016: £185,658).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

17. Investment in subsidiaries

Company

Cost	**£**
At 1 January 2016	17,880,591
Additions during the year	806,187
Share based payments to subsidiary company employees	103,280
Disposals during the year	(39,747)
Group restructuring	(1,086,403)
At 31 December 2016	**17,663,908**
Additions during the year	**1,127,412**
Share based payments to subsidiary company employees	**(127,638)**
Transfer to divisional holding company	**(277,376)**
At 31 December 2017	**18,386,306**

Provision for impairment	**£**
At 1 January 2016	–
Impairment in the year	(3,939,600)
At 31 December 2016	**(3,939,600)**
Impairment in the year	**(349,999)**
At 31 December 2017	**(4,289,599)**

Net book value	**£**
At 1 January 2016	17,880,591
At 31 December 2016	13,724,308
At 31 December 2017	**14,096,707**

Additions during the period were as follows:

Company	Notes	**£**
Redleaf Polhill Limited (acquisition of minority interests)	10	850,037
Newgate Communications Pty Limited (acquisition of minority interests, subsequently transferred to divisional holding company)	10	277,375
		1,127,412

As a result of annual impairment reviews that Porta performs, it was determined that 13 Communications Limited should be impaired by £349,999. See note 15 for details over the rationale for the impairment. After impairment, the investment in 13 Communications Limited has a carrying value of nil.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

At 31 December 2017, the Company indirectly held all of the following interests in subsidiaries through other group companies, all of which have reporting dates of 31 December and are all incorporated in England and Wales, unless otherwise stated:

Name	Address of the registered office	Share capital held	Percentage held	Principal activity during year
13 Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant[1]
21:12 Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	A Ordinary B Ordinary	100% 35%	Marketing and Advertising agency
Clare Consultancy Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations & Public Affairs consultancy
EngageComm Pty Limited (incorporated in Australia)	c/o Bell Partners, 40 Lime Street, King Street Wharf, Sydney NSW 2000, Australia.	Ordinary	51%	Public Relations consultancy
ICAS Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
Newgate Brussels SPRL (incorporated in Belgium)	69-71 Avenue Adolphe Lacomble, 1030 Bruxelles, BE 0841.262.588	Ordinary	100%	Non-trading
Newgate Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
Newgate Communications (Beijing) Limited (incorporated in China)	Room 2467, No. 77 Jianguo Road, Chaoyang District, Beijing, China	Ordinary	60%	Public Relations & Public Affairs consultancy
Newgate Communications FZ-LLC (incorporated in the United Arab Emirates)	Two Four 54, Park Rotana Building, 9th floor, office number 905B, Khalifa Park area, Media Zone Authority, P.O. Box: 769255 Abu Dhabi, UAE	Ordinary	76%	Public Relations consultancy
Newgate Communications Germany GmbH (incorporated in Germany)	Alstertwiete 3, 20099 Hamburg	Ordinary	100%	Non-trading
Newgate Communications Pty Limited (incorporated in Australia)	Level 18, 167 Macquarie Street, Sydney, NSW 2000, Australia	Ordinary	62.29%	Public Relations, Public Affairs & Research consultancy
Newgate Communications (HK) Limited (incorporated in Hong Kong)	802 Winsome House, 73 Wyndham Street, Central, Hong Kong	Ordinary	60%	Public Relations & Public Affairs consultancy
Newgate Communications (Singapore) Pte. Ltd (incorporated in Singapore)	24 Raffles Place, #16-05 Clifford Centre, Singapore 048621.	Ordinary	45%	Public Relations & Public Affairs consultancy

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Name	Address of the registered office	Share capital held	Percentage held	Principal activity during year
Newgate Media Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate PR Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate Public Affairs Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant
Newgate Public Relations Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant
Newgate Sponsorship Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	85%	Non-trading
Porta Australia Holdings Pty Limited (incorporated in Australia)	c/o Bell Partners, 40 Lime Street, King Street Wharf, Sydney NSW 2000, Australia.	Ordinary	51%	Intermediate holding company
Porta Communications Midco Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary*	100%	Intermediate holding company
PPS (Local and Regional) Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy[2]
Redleaf Polhill Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	81%	Public Relations consultancy
Springall Gbr (incorporated in Germany)	Alstertwiete 3, 20099 Hamburg	Ordinary	100%	Dormant
Summit Marketing Services Limited	Wellington Place, 63 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BG	Ordinary	100%	Marketing & Design agency[3]
Velvet Consultancy Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant

*Directly held

1. 13 Communications Limited ceased trading on 31 December 2016. A transfer of trade and assets to Newgate Communications Limited occurred on 1 January 2017, at net book value.
2. PPS (Local and Regional) Limited ceased trading on 31 March 2017. A transfer of trade and assets to Newgate Communications Limited occurred on 1 April 2017, at net book value.
3. Summit Marketing Services Limited was sold on 7 February 2018.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Audit exemptions:

The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006:

13 Communications Limited
Clare Consultancy Limited
Newgate Media Holdings Limited
Newgate PR Holdings Limited
Porta Communications Midco Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Newgate Sponsorship Limited
Summit Marketing Services Limited

Preparation & filing exemptions:

The following Group entities are exempt from preparing/filing individual accounts by virtue of Sections 394A or 448A of the Companies Act 2006:

Velvet Consultancy Limited

Statutory guarantees:

Porta Communications Plc has provided statutory guarantees to the following entities in accordance with Section 479C of the Companies Act 2006:

13 Communications Limited
Clare Consultancy Limited
Newgate Media Holdings Limited
Newgate PR Holdings Limited
Porta Communications Midco Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Newgate Sponsorship Limited
Summit Marketing Services Limited

Porta Communications Plc has provided statutory guarantees to the following entities in accordance with Section 394C of the Companies Act 2006:

Velvet Consultancy Limited

18. Trade and other receivables

Current assets

Group

	31 December 2017 £	31 December 2016 £
Trade receivables	**6,962,920**	5,799,360
Less: provision for impairment	**(81,720)**	(54,230)
	6,881,200	5,745,130
Other debtors	**475,747**	485,894
Accrued income	**727,207**	12,242
Prepayments	**596,041**	1,346,825
	8,680,195	7,590,091

The Group provides for the impairment of trade receivables on a client-by-client basis having regarded past payment experience and the probability of future payment.

During the year, a charge for bad and doubtful debts of £117,327 (2016: £50,360) was made to the Consolidated Statement of Comprehensive Income. Identified individual bad or doubtful debtors are provided for in full to the extent that they are deemed irrecoverable. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the client base being large and unrelated. Accordingly, the Directors believe that there is no further

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

credit provision required in excess of the allowance for impairment relating to doubtful debts. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

A summary of trade receivables, excluding impaired balances, categorised by due date for payment is as follows:

	31 December 2017 £	31 December 2016 £
Neither past due nor impaired	**3,496,817**	3,155,579
Past due but not impaired:		
Past due up to 3 months	**2,523,931**	2,190,935
Past due more than 3 months not more than 6 months	**699,128**	281,728
Past due more than 6 months not more than 1 year	**119,179**	90,293
Past due more than 1 year	**42,145**	26,595
	6,881,200	5,745,130

The movement on impairment for the year in respect of trade receivables was as follows:

	31 December 2017 £	31 December 2016 £
Balance at 1 January	**54,230**	131,293
Amounts written off during the year	**(89,837)**	(127,423)
Provision made during year	**117,327**	50,360
Balance at 31 December	**81,720**	54,230

Company

	31 December 2017 £	31 December 2016 £
Trade receivables	**43,251**	43,163
Less: provision for impairment	**–**	–
	43,251	43,163
Other debtors	**96,402**	232,574
Prepayments	**400,928**	924,042
Receivables owed by related parties (note 26)	**–**	1,047
	540,581	1,200,826

Non-current assets

On 7 January 2014, the Company entered into a tenancy agreement relating to the new office premises located at 50 Basinghall Street, London. The initial deposit of £923,775 and related interest is retained by the Landlord in a separate bank account until the termination of the lease.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

19. Trade and other payables

Current liabilities

Group

	31 December 2017 £	31 December 2016 £
Trade payables	**1,552,515**	2,586,123
Taxes and social security costs	**1,554,172**	2,179,619
Income received in advance	**674,308**	1,077,829
Other payables	**809,177**	489,681
Accrued expenses	**2,249,524**	2,756,516
	6,839,696	9,089,768

Company

	31 December 2017 £	31 December 2016 £
Trade payables owing to third parties	**204,704**	1,154,650
Trade payables owing to related parties (note 26)	**16,120**	26,266
	220,824	1,180,916
Taxes and social security costs	**354,654**	77,396
Other payables	**290,029**	298,818
Accrued expenses	**421,918**	1,582,163
	1,287,425	3,139,293

Non-current liabilities

Group

	31 December 2017 £	31 December 2016 £
Other payables	**921,689**	404,809

Company

	31 December 2017 £	31 December 2016 £
Other payables	**921,689**	254,809

The Group and the Company recognised £20,792 (2016: £254,809) of other non-current payables in respect of the acquisition of the equity interest in Capital Access Group Limited (see note 12). Amounts totalling £114,232 are due in more than one year with respect to operating leases, and £786,665 is to be released to the Statement of Comprehensive Income after more than one year with respect to Porta's initial rent free period.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

20. Provisions

Group

Current liabilities

	31 December 2017 £	31 December 2016 £
At 1 January	**–**	–
Transferred from long term provisions	**513,807**	–
At 31 December	**513,807**	–

Non-current liabilities

	31 December 2017 £	31 December 2016 £
At 1 January	**1,328,436**	1,179,302
Additions: New provisions	**–**	264,512
Utilised in the period	**(707,629)**	(442,716)
Charged/(released) in the period:		
Amortisation of put/call agreement	**72,090**	114,076
Other charges in the period	**(150,794)**	–
Revaluation at year end	**(28,296)**	213,262
Transferred to short term provisions	**(513,807)**	–
At 31 December	**–**	1,328,436

In 2014, the trade of Twenty20 Media Group ('TTMG'), which was 90% owned by the Group, was discontinued. Whilst the activities of TTMG were discontinued by 31 December 2014, one of its subsidiaries, Twenty20 Media Vision Limited was still in administration as at 31 December 2017. A filing for dissolution has been made by the Administrators on 20 February 2018. During the administration, the Group incurred several unforeseen costs and made a provision of £208,892 resulting in an additional loss from discontinued operations which was recognised in a prior reporting period. A total of £90,000 of this provision was utilised in the year (2016: £40,000). The Directors expect no further provisions to be made or utilised with respect to the TTMG discontinued operations and therefore the remaining £78,892 has been reversed.

The acquisition of Redleaf in 2014 (see note 10 in the financial statements of the Group for the year ended 31 December 2014) involved the grant of put and call options relating to the purchase by the Company of the remaining 49% of the issued share capital of Redleaf, which are exercisable in three tranches following the end of each of the three full financial years beginning 31 December 2015 on similar terms to the initial acquisition. Any additional consideration payable under the put and call options will be satisfied 50% in cash and 50% in Ordinary shares.

Management have used Redleaf's actual 2017 results in order to determine the liability component of deferred consideration and discounted this using the Group's pre-tax weighted average cost of capital of 10% at the year end. At 31 December 2017, the present value of the liability component of deferred consideration is £513,807 (2016: £895,032). The downwards revaluation of £28,296 (2016: £213,262 upwards revaluation) has gone through the Consolidated Statement of Comprehensive Income in the year and has been disclosed separately as an Exceptional Item.

The final tranche of 19% of the issued share capital of Redleaf is to be acquired by Porta during 2018 and as a result the provision has been transferred to current liabilities.

Porta satisfied the guarantee in place over the Capital Access vendor loan of £500,000 during the year in Porta shares. This resulted in £192,610 of the provision being utilised and £71,902 being reversed. See note 21 for further details.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Company

Non-current liabilities

	31 December 2017 £	31 December 2016 £
At 1 January	**264,512**	–
Additions: New provisions	**–**	264,512
Utilised in the period	**(192,610)**	–
Charged/(released) in the period	**(71,902)**	–
At 31 December	**–**	264,512

Contingent liabilities

Group and Company

Under the acquisition agreement for Capital Access, Porta has a guarantee of £1,000,000 against lender debt. Due to the unknown likelihood of this guarantee being called, Porta has deemed the guarantee to be a contingent liability. Should the guarantee be called upon it would be satisfied in 10p Porta shares. As at the year end, the maximum number of new shares required to satisfy the guarantee would be 10,000,000. As at 31 December 2017 the Porta share price was 3.5p and so, at that date, the value of the shares would be £350,000.

21. Share capital and Reserves

Group and Company

Share capital

Allotted, called up and fully paid

31 December 2017	Number	£
Ordinary shares of 1p each	456,936,050	4,569,361
Deferred shares of 0.9p each	2,862,879,050	25,765,912
	3,319,815,100	**30,335,273**

31 December 2016	Number	£
Ordinary shares of 1p each	309,450,007	3,094,500
Deferred shares of 0.9p each	2,862,879,050	25,765,912
	3,172,329,057	28,860,412

The movement in Ordinary and Deferred shares for the year reconciles as follows:

	Number	Ordinary shares £ nominal value	Deferred shares £ nominal value	Total £ nominal value
At 1 January 2016	349,327,895	27,732,790	648,000	28,380,790
New issues during the year	32,122,112	479,622	–	479,622
Share split	2,790,879,050	(25,117,912)	25,117,912	–
At 31 December 2016	**3,172,329,057**	**3,094,500**	**25,765,912**	**28,860,412**
New issues during the year	147,486,043	1,474,861	–	**1,474,861**
At 31 December 2017	**3,319,815,100**	**4,569,361**	**25,765,912**	**30,335,273**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

On 21 January 2017, the Company allotted and issued 12,476,389 Ordinary shares of 1p each in settlement of a debt of £530,247 due to Retro Grand Limited.

On 28 February 2017, 175,498 Ordinary shares of 1p each were issued and allotted in the capital of Porta to the vendors of ICAS Holdings Limited. This issue was under the terms of the sale and purchase agreement in December 2014.

In March 2017, £150,000 of Ordinary shares in Porta (4,000,000 shares) were issued to two subsidiary employees to partially satisfy conditions existing when PPS (Local and Regional) Limited was acquired by the Group in November 2014.

During 2017, the Company issued 18,783,743 Ordinary shares of 1p each to acquire additional interests in two subsidiary businesses. Further details are given in note 10.

On 3 August 2017 Porta issued and allotted 85,714,286 Ordinary shares of 1p each to SEC S.p.A. in return for cash proceeds of £3,000,000.

Also on 3 August 2017, debt of £311,375 due to Hawk Investment Holdings Limited ("Hawk") was settled by way of the allotment and issue of 8,896,429 new Ordinary shares of 1p each. Furthermore, debt of £417,779 due to Retro Grand Limited ("Retro Grand") was settled by way of the allotment and issue of 11,936,542 new Ordinary shares of 1p each.

On 30 October 2017, Porta satisfied a guarantee on behalf of Capital Access for £550,316 with respect to a Vendor loan note and accrued interest by way of the allotment and issue of 5,503,156 new Ordinary shares of 1p each.

Deferred shares

There has been no change in the rights relating to the Deferred shares during the year. The special rights, privileges, restrictions and limitations attached to the Deferred shares are set out below.

a) A holder of Deferred shares shall have no right to receive notice of or to attend or vote at any General meeting of the Company.

b) A holder of Deferred shares shall have no right to receive any dividend or distribution.

c) A holder of Deferred shares shall, on a return of capital in a liquidation but not otherwise, be entitled to receive a sum equal to the amount paid up or credited on each share but only after the sum of £1,000,000 per Ordinary share has been distributed amongst the holders of the Ordinary shares.

d) The Company may redeem the Deferred shares at any time for the sum of £1 payable in aggregate to all Deferred shareholders as a class.

Share premium

	£ nominal value
At 1 January 2016	4,788,547
New issues during the year	1,063,921
Issue costs	(25,907)
At 31 December 2016	**5,826,561**
New issues during the year	**3,836,353**
Issue costs	**(22,000)**
At 31 December 2017	**9,640,914**

Issue costs of £22,000 (2016: £25,907) comprise legal fees incurred during the year directly related to share issues which have been capitalised and net off against share premium.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Translation reserve (Group only)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. Translation reserves of £nil (2016: £49,110) relating to liquidated foreign currency entities have been transferred to retained losses in the year.

Other reserves

During the period, an amount of £120,736 was charged (2016: £218,232) to other reserves relating to share based payments transactions (note 22). In addition, £21,845 was transferred to retained losses (2016: £570,339) in relation to the forfeited options in the share based payment reserve.

Other amounts totalling £nil (2016: £781,793) have been transferred from other reserves to retained losses in the year.

£121,150 (2016: £181,280 of other reserves has been utilised in the period in relation to the contingent share consideration for the further 15% acquisition of Redleaf Polhill Limited (see note 10 for further details).

22. Share based payments

During the year, no share options were granted to staff under the EMI or unapproved share option plans.

Furthermore, no share options were granted to staff under the Executive Share Incentive plan during the year.

The fair value of services received in return for the share options granted is based on the fair value of the share options granted measured using the Black-Scholes and Binomial models. Expected volatility is estimated by considering historic volatility over the period commensurate with the expected term. The following inputs were used in the measurement of the fair values at grant date of the share based payment plans. There were no options issued during the year.

Option Grant Year	2012		2013		2014		2015		2016	
Option recipient	Employees	Directors	Employees	Directors	Employees	Directors	Employees	Directors	Employees	Directors
Fair value at grant date	4.96p	N/A	9.50p	3.36p	N/A	N/A	4.24p	3.26p	N/A	1.83
Share price at grant date	8.00p	N/A	14.00p	7.25p	N/A	N/A	7.63p	7.19p	N/A	6.25p
Exercise price	10.00p	N/A	14.00p	20.00p	N/A	N/A	10.00p	10.00p	N/A	22.51p
Expected volatility	76%	N/A	76%	76%	N/A	N/A	67%	66%	N/A	66%
Option life*	6 years	N/A	6 years	6 years	N/A	N/A	6 years	6 years	N/A	6 years
Expected dividends	0%	N/A	0%	0%	N/A	N/A	0%	0%	N/A	0%
Risk-free interest rate	1.1%	N/A	3.01%	2.55%	N/A	N/A	2.10%	1.90%	N/A	1.34%

* expected weighted average life.

	2017 Number	2017 Weighted average exercise price	2016 Number	2016 Weighted average exercise price
Balance at 1 January	**24,571,341**	**18.11p**	18,437,763	12.96p
Issued during year	**–**	**N/A**	15,913,924	22.51p
Forfeited during the year	**(1,420,000)**	**10.00p**	(9,780,346)	16.00p
Balance at 31 December	**23,151,341**	**18.61p**	24,571,341	18.11p

The weighted average remaining contractual lives of the outstanding options is 3.8 years and exercise prices range from 10p to 22.51p.

£120,736 relating to share based payments has been recognised as an expense in the Statement of Comprehensive Income for the year ended 31 December 2017 (2016: £218,232).

Out of the 23,151,341 outstanding options, 6,109,084 options were exercisable at 31 December 2017.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

23. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see note 7.

Group

	31 December 2017 £	31 December 2016 £
Non-current liabilities		
Deep discounted bond	**3,463,156**	3,114,244
Loan	**–**	22,080
Obligations under finance leases (note 24)	**25,874**	114,967
	3,489,030	3,251,291
Current liabilities		
Convertible loan	**5,184,550**	5,228,516
Bank overdraft	**3,093,484**	–
Loan – related party	**–**	279,254
Loan	**20,185**	526,584
Loan notes	**–**	106,515
Obligations under finance leases (note 24)	**110,012**	113,901
	8,408,231	6,254,770

Loan notes of £100,000 bearing a 6% coupon rate were repaid on 9 June 2017.

On 12 June 2017, financial completion was reached on a new five year £3,300,000 revolving credit facility (bank overdraft above) with Clydesdale Bank Plc. This facility includes a margin of 3.85% over a 3 month LIBOR and replaced the existing £3,000,000 confidential invoice discounting facility.

See note 21 for details concerning the settlement of debt including accrued interest by way of the issue and allotment of new Porta Ordinary shares. No gain or loss arose from any of these settlements and as such there was no impact on the Consolidated Statement of Comprehensive Income.

On 3 August 2017, the Retro Grand convertible loan with a face value of £5,183,415 was refinanced with an effective date of 30 June 2017, such that loan interest will accrue at 8% per annum (previously interest was accruing at 1% per month). Additionally, the Hawk deep discounted bond of £4,110,000, maturing on 14 April 2019 and with an equivalent annual interest rate of 12.8%, was refinanced with a revised redemption date of 14 April 2021 and as a result the equivalent annual interest rate fell to 8%.

Retro Grand is a Jersey registered company which is wholly owned by the Edward Trust. The Edward Trust is managed and administered by independent trustees.

Hawk Investment Holdings Limited ('Hawk') is a company wholly owned by Morton PTC Limited as Trustee to the Morton Family Trust.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2017 Face Value	2017 Carrying Amount	2016 Face value	2016 Carrying Amount
Deep discounted bond	GBP	8%	2021	**4,460,243**	**3,463,156**	4,110,000	3,114,244
Convertible loan	GBP	8%	2018	**5,183,415**	**5,184,550**	5,183,415	5,228,516
Loan[1]	AED	60%	2018	**18,955**	**20,185**	18,955	22,080
Loan – related party	GBP	12%	2017	–	–	257,707	279,254
Loan	GBP	12%	2017	–	–	500,000	526,584
Loan notes	GBP	6%	2017	–	–	100,000	106,515
				9,662,613	**8,667,891**	10,170,077	9,277,193

1. £18,955 is the sterling equivalent of the face value of the loan. The original loan in AED is AED $100,000.

Company

	31 December 2017 £	31 December 2016 £
Non-current liabilities		
Deep discounted bond	**3,463,156**	3,114,244
Obligations under finance leases (note 24)	**25,874**	114,967
	3,489,030	3,229,211
Current liabilities		
Convertible loan	**5,184,550**	5,228,516
Bank overdraft	**3,093,484**	–
Loan – related party	–	279,254
Loan	–	526,584
Loan notes	–	106,515
Obligations under finance leases (note 24)	**97,223**	93,393
	8,375,257	6,234,262

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2017 Face Value	2017 Carrying Amount	2016 Face value	2016 Carrying Amount
Deep discounted bond	GBP	8%	2021	**4,460,243**	**3,463,156**	4,110,000	3,114,244
Convertible loan	GBP	8%	2018	**5,183,415**	**5,184,550**	5,183,415	5,228,516
Loan – related party	GBP	12%	2017	–	–	100,000	279,254
Loan	GBP	12%	2017	–	–	500,000	526,584
Loan notes	GBP	6%	2017	–	–	257,707	279,254
				9,643,658	**8,647,706**	10,151,122	9,255,113

All Company loans are secured over all current and future assets of both the Company and subsidiaries within the Group. Further details concerning related party borrowings are given in note 26.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

24. Finance Leases

Finance lease commitments – as lessee

Group

	2017		2016	
	Minimum payments £	**Present value of payments £**	Minimum payments £	Present value of payments £
Within one year	**120,792**	**110,012**	138,900	113,901
Between one and five years	**26,681**	**25,874**	125,379	114,967
Total minimum lease payments	**147,473**	**135,886**	264,279	228,868
Less amount representing finance charges	**(11,587)**	**–**	(35,411)	–
Present value of minimum lease payments	**135,886**	**135,886**	228,868	228,868

Analysed as:	**£**	£
Current liability	**110,012**	113,901
Non-current liability	**25,874**	114,967
Present value of minimum lease payments	**135,886**	228,868

Company

	2017		2016	
	Minimum payments £	**Present value of payments £**	Minimum payments £	Present value of payments £
Within one year	**108,003**	**97,223**	117,025	93,393
Between one and five years	**26,681**	**25,874**	125,379	114,967
Total minimum lease payments	**134,684**	**123,097**	242,404	208,360
Less amount representing finance charges	**(11,587)**	**–**	(34,044)	–
Present value of minimum lease payments	**123,097**	**123,097**	208,360	208,360

Analysed as:	**£**	£
Current liability	**97,223**	93,393
Non-current liability	**25,874**	114,967
Present value of minimum lease payments	**123,097**	208,360

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

25. Operating leases

The Group's operating leases mainly relate to office premises. The leases of office premises typically run for periods up to 10 years. Leases for other fixed assets typically run for a period of 3 to 5 years.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Less than one year	**1,670,379**	1,532,676
Between one and five years	**5,604,824**	5,201,367
More than five years	**1,088,791**	2,093,829
	8,363,994	8,827,872

The Company received a two year rent free period as a lease incentive. The total minimum lease payments are allocated over the lease term evenly and therefore rent charge recognised in the Statement of Comprehensive Income is different to the contractually committed cash outflow.

26. Related party transactions

Key management personnel – Group and Company

In the opinion of the Board, only the Executive Directors of the Company are regarded as key management personnel.

Key management personnel compensation, including state taxes, comprised the following:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Short term employee benefits	**870,812**	840,889
Share-based payments	**105,224**	113,141
Termination benefits	**188,768**	–
Post-employment benefits	**60,572**	70,000
	1,225,376	1,024,030

Other related party transactions

During the year, the Company was invoiced £4,000 by Blasdales Limited (2016: £27,500), a company of which Brian Blasdale is a Director, for Non-Executive Director's fees. Brian Blasdale stepped down as a Non-Executive Director of Porta on 30 November 2016, after which he served a three-month notice period.

A charitable donation of £22,250 was made during the year to Give us Time, on behalf of Raymond McKeeve who stepped down as a Non-Executive Director on 31 August 2017.

During the year, the Group paid £96,150 (2016: £91,333) to members of Directors' families who are employed by the Group.

At the year end, unpaid pension contributions of £17,807 (2016: £17,807) were owed to David Wright and £24,631 (2016: £59,215) to Gene Golembiewski.

Newgate Communications Pty Limited (Australia) paid Brian Tyson a deferred sign on bonus of £121,629 in October 2017 on behalf of Porta, with respect to the start-up of Newgate Australia, prior to his appointment as an Executive Director on the Porta board on 1 November 2017.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

During the year, the Group was invoiced for flowers £7,206 (A$12,174) by Buds and Poppies, a florist company owned by the wife of Brian Tyson.

Fiorenzo Tagliabue, appointed as Non-Executive Deputy Chairman of Porta on 4 August 2017, is also the CEO and founder of SEC S.p.A ("SEC"). Porta were billed £50,000 by SEC during 2017 in relation to a Commercial Collaboration Agreement whereby the two companies shared business opportunities. At the year end £10,000 of these fees were outstanding.

SEC also subscribed for £3,000,000 new Porta shares during the year. This constituted an 18.76% shareholding in Porta as at 31 December 2017. See Note 21 for further details.

The following amounts were owed to/by Directors by/to the Company at the year-end in respect of expenses incurred or advances for expenses made in relation to expenses incurred on behalf of the Group's business:

Director	Max amount outstanding by Director during the year £	Owed by Directors/ (Owed to Directors) 2017 £	Owed by Directors/ (Owed to Directors) 2016 £
David Wright	–	–	1,047
Gene Golembiewski	–	(251)	–
Rhydian Bankes	–	(2)	–
Brian Blasdale (and Blasdales Limited)	–	–	(634)
Fiorenzo Tagliabue (and SEC S.p.A)	–	(10,703)	–
Steffan Williams	–	(5,164)	(10,632)

All related party transactions were on normal commercial terms.

Transactions with subsidiary undertakings – Company

The parent Company incurs various expenses during the year which it recharges to subsidiary companies and certain subsidiary companies have incurred expenses or provided services during the year which have been recharged to the parent Company. A summary of these transactions during the year are as follows:

		2017		2016	
Subsidiary	Nature of transaction	Charged by parent £	Charged to parent £	Charged by parent £	Charged to parent £
13 Communications Limited	Expense recharges and consultancy fees	2,476	–	19,147	–
	Rent	–	–	37,800	–
	Interest	–	–	12,851	–
21:12 Communications Limited	Expense recharges and consultancy fees	481,438	–	266,967	–
	Marketing and advertising services	–	23,466	–	32,768
	Rent	241,850	–	352,800	–
	Interest	58,910	–	58,883	–
EngageComm Pty Ltd	Interest	9,386	–	–	–
ICAS Limited (t/a Publicasity)	Expense recharges and consultancy fees	325,831	–	106,114	–
	Rent	261,870	–	243,600	–
	Interest	–	52,398	–	35,687
Newgate Communications Limited	Expense recharges and consultancy fees	1,367,501	3,064	406,117	–
	Rent	568,190	–	369,600	–
	Interest	4,578	3,585	–	12,633
Newgate Communications FZ-LLC	Expense recharges and consultancy fees	1,469	–	390	–
Newgate Communications Pty Limited	Expense recharges and consultancy fees	386,368	135,046	229,747	–
	Interest	–	81,703	68,255	–
	Group dividend	–	–	255,064	–

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

Subsidiary	Nature of transaction	2017 Charged by parent £	2017 Charged to parent £	2016 Charged by parent £	2016 Charged to parent £
Newgate Communications (HK) Limited	Expense recharges and consultancy fees	**42,853**	**–**	29,557	–
	Group dividend	**–**	**–**	267,842	–
Newgate Communications (Singapore) Pte. Ltd	Expense recharges and consultancy fees	**44,496**	**–**	26,204	–
	Interest	**1,058**	**2,304**	1,005	561
Newgate Public Relations Limited	Interest	**–**	**–**	–	1,329
Newgate Sponsorship Limited	Expense recharges and consultancy fees	**975**	**–**	6,938	–
	Interest	**–**	**–**	–	520
Newgate Threadneedle Limited	Group dividend	**–**	**–**	885,225	–
Porta Communications Midco Holdings Limited	Group dividend	**1,257,166**	**–**	–	–
PPS (Local and Regional) Limited	Expense recharges and consultancy fees	**24,652**	**–**	95,844	–
	Rent	**40,950**	**–**	163,800	–
	Interest	**–**	**5,820**	–	22,110
Redleaf Polhill Limited	Expense recharges and consultancy fees	**131,056**	**18,000**	103,000	37,700
	Group dividend	**–**	**–**	409,736	–
Summit Marketing Services Ltd	Expense recharges and consultancy fees	**5,027**	**–**	10,584	–
Total		**5,258,100**	**325,386**	4,427,070	143,308

The Company also undertakes various group treasury functions receiving payments from group companies, funding group companies and making payments on their behalf and the net amount outstanding to or from the parent company at the year end is as follows:

Subsidiary	Owed to parent/(Owed by parent) 2017 £	Owed to parent/(Owed by parent) 2016 £
13 Communications Limited	**–**	631,755
21:12 Communications Limited	**4,064,308**	3,630,983
Clare Consultancy Limited	**85**	–
EngageComm Pty Ltd	**144,665**	–
ICAS Limited (t/a Publicasity)	**(2,109,959)**	(1,891,321)
Newgate Brussels SPRL	**398,766**	383,099
Newgate Communications Limited	**2,548,936**	1,102,300
Newgate Communications FZ-LLC	**108,014**	102,430
Newgate Communications Pty Limited	**891,103**	702,775
Newgate Communications (HK) Limited	**5,673**	4,463
Newgate Communications (Singapore) Pte. Ltd	**(155,906)**	(112,681)
Newgate Media Holdings Limited	**576,000**	577,000
Newgate PR Holdings Limited	**2,307,345**	2,029,969
Newgate Public Affairs Limited	**(32,277)**	(32,277)
Newgate Public Relations Limited	**212,574**	212,574
Newgate Sponsorship Limited	**19,817**	2,788
Porta Communications Midco Holdings Limited	**(10,758)**	(10,758)
PPS (Local and Regional) Limited	**–**	(1,038,244)
Redleaf Polhill Limited	**10,779**	(10,800)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

	Owed to parent/(Owed by parent)	
	2017	2016
Subsidiary	**£**	£
Summit Marketing Services Limited	**(197,330)**	(207,487)
Velvet Consultancy Limited	**2**	2
Net amount owed to parent Company	**8,781,837**	6,076,570
Less provided as bad debt	**–**	–
Total	**8,781,837**	6,076,570
Analysed as:		
Non-current assets	**11,288,067**	9,407,755
Non-current liabilities	**(2,506,230)**	(3,331,185)
Total	**8,781,837**	6,076,570

The Company has given undertakings to certain subsidiary companies to provide financial support for a period of at least 12 months from the date of approval of these financial statements subject to group funding requirements.

The Board considers that the amounts disclosed in the table above will prove recoverable. However, the timing of and ultimate repayment of these sums will depend on the performance and financing arrangements of the relevant subsidiary undertakings. Currently, the Company expects the amounts to be repaid over a number of years.

27. Subsequent events

Issue of shares to Non-Executive Chairman

In January 2018, 4,700,000 Ordinary shares of 1p each were purchased in the capital of Porta at a price of 3.5p per Ordinary share by Mr John Foley, the Non-Executive Chairman of Porta.

Issue of shares by Capital Access Group Limited

On 16 January 2018, Capital Access Holdings Limited (parent company of Capital Access Group Limited) issued a further 200 Ordinary shares of 1p each increasing its number of issued shares to 2,000 thereby reducing Porta's ownership from 43.89% to 39.5%.

Sale of subsidiary

On 7 February 2018, Newgate Media Holdings Limited, an indirect subsidiary of Porta, sold its holding of 85 A Ordinary Shares and 15 B Ordinary Shares in the capital of Summit Marketing Services Limited to the Director of Summit for a cash consideration of £1. The outstanding inter-company balance at that date between Porta and Summit pursuant to which Porta owed Summit £189,409 was transferred by novation, which included transferring all of its rights and obligations in respect of the debt to Newgate Media Holdings Limited. The financial effects of this transaction have not been recognised at 31 December 2017. Summit was considered an immaterial component of the group and hence its results were not disclosed under discontinued activities in the year.

Notice of Annual General Meeting

Porta Communications Plc

(Incorporated and registered in England and Wales with registered number 05353387)
Registered office: Sky Light City Tower, 50 Basinghall Street, London EC2V 5DE

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "AGM") of Porta Communications Plc (the "Company") will be held at the offices of Porta Communications Plc, Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE, on 31 May 2018 at 2.00pm for the following purposes:

Ordinary Business

To consider, and if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1. Report and Accounts

To receive the audited annual accounts for the year ended 31 December 2017, together with the reports of the Directors and Auditor therein.

2. Election of Director

To elect Fiorenzo Tagliabue as a Director of the Company who, having been appointed since the last Annual General Meeting, offers himself for election in accordance with the Company's articles of association.

3. Election of Director

To elect Brian Tyson as a Director of the Company who, having been appointed since the last Annual General Meeting, offers himself for election in accordance with the Company's articles of association.

4. Election of Director

To elect Emma Kane as a Director of the Company who, having been appointed since the last Annual General Meeting, offers herself for election in accordance with the Company's articles of association.

5. Re-appointment of Auditors

To re-appoint Grant Thornton UK LLP as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next general meeting at which the accounts are laid before the Company.

6. Auditor's Remuneration

To authorise the Directors to determine the remuneration of the auditors.

Special Business

To consider, and if thought fit, to pass the following resolutions, of which resolutions 7 and 10 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions.

7. Directors' authority to allot shares

That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities') up to an aggregate nominal amount of £1,382,672.01, provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of the passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Notice of Annual General Meeting *(continued)*

8. Directors' power to issue shares for cash

That, in substitution for equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered to allot equity securities (as defined in Section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 7 above (in accordance with Section 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with Section 573 of the Act), in each case, as if Section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

(a) the allotment of equity securities in connection with an offer, or invitation to apply for, equity securities:

(i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

(ii) to holders of any other equity securities as required by any other securities as required by the rights of those securities or as the Directors consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and/or

(b) the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities up to an aggregate nominal value equal to £460,890.67; and

unless previously renewed, revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of the passing of this resolution, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

9. Authority to purchase shares (market purchases)

That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 1p each ('Ordinary Shares') provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased is 46,089,067;

(b) the minimum price which may be paid for any such Ordinary Share is 1p;

(c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

10. Political Donations

To authorise, the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of Section 366 of the Act:

(a) to make political donations to political parties or independent election candidates (as such terms are defined in Section 363 and 364 of the Act), not exceeding £50,000 in aggregate;

(b) to make political donations to political organisations other than political parties (as such terms are defined in Section 363 and 364 of the Act), not exceeding £50,000 in aggregate;

Notice of Annual General Meeting *(continued)*

(c) to incur political expenditure (as such term is defined in Section 365 of the Act), not exceeding £50,000 in aggregate,

provided that this authority shall expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company and further provided that the maximum amounts referred to in sub-paragraph (a), (b) and (c) may comprise sums in different currencies that shall be converted at such rate as the Directors may in their absolute discretion determine to be appropriate.

BY ORDER OF THE BOARD

Gene Golembiewski
Company Secretary

30 April 2018

Notes:

1. As a member of the Company, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a Form of Proxy with this notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. To appoint a proxy using the Form of Proxy, the form must be: (i) completed and signed; (ii) sent or delivered to the Company's Registrars, SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ marked 'Proxy Return'; and (iii) received by the Company's Registrars no later than 2.00pm on 29 May 2018.

4. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

5. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provisions of the Act.

6. The Company's issued share capital consists of 460,890,669 ordinary shares of 1p, carrying one vote each (including the 3,954,619 ordinary shares to be allotted to two former employees of PPS Group Limited as announced on 24 April 2018) and 2,862,879,050 deferred shares of 0.9p which carry no right to vote. Therefore, the total number of voting rights in the Company as on the date immediately prior to the publication of this Notice was 460,890,669.

7. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the Register of Members of the Company at 6.30 p.m. on 29 May 2018 shall be entitled to attend and vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 29 May 2018 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

8. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

Notice of Annual General Meeting *(continued)*

Explanatory notes to the Resolutions:

Resolution 1 – Reports and Accounts

All companies are required by law to lay their annual accounts and reports before a general meeting of the Company, together with the Directors' Report and Auditor's report on the accounts. At the AGM, the Directors will present these documents to the shareholders for the financial year ended 31 December 2017.

Resolution 2 – Election of Director

This resolution concerns the election of Fiorenzo Tagliabue as a Director of the Company. Fiorenzo was appointed by the Board on 4 August 2017 as an executive director. Fiorenzo Tagliabue is required by the Company's articles of association to offer himself for election at the annual general meeting following his appointment. A biography of Fiorenzo Tagliabue is set out on page 35.

Resolution 3 – Election of Director

This resolution concerns the election of Brian Tyson as a Director of the Company. Brian was appointed by the Board on 1 November 2017 as an executive director. Brian Tyson is required by the Company's articles of association to offer himself for election at the annual general meeting following his appointment. A biography of Brian Tyson is set out on page 35.

Resolution 4 – Election of Director

This resolution concerns the election of Emma Kane as a Director of the Company. Emma was appointed by the Board on 26 April 2018 as an executive director. Emma Kane is required by the Company's articles of association to offer herself for election at the annual general meeting following her appointment. A biography of Emma Kane is set out on page 35.

Resolution 5 – Re-appointment of auditors

This resolution concerns the re-appointment of Grant Thornton UK LLP as auditors until the conclusion of the next general meeting at which accounts are laid that is, the next Annual General Meeting.

Resolution 6 – Auditor's remuneration

This resolution authorises the Directors to determine the auditor's remuneration.

Resolution 7 – Directors' authority to allot shares

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £1,382,672.01, representing approximately 30 percent of the nominal value of the issued ordinary share capital of the Company as at 30 April 2018, being the latest practicable date before publication of this notice, but also including the 3,954,619 ordinary shares to be allotted to two former employees of PPS Group Limited, as announced on 24 April 2018. It is the Directors' present intention to exercise the authorities conferred by this resolution to, among other things: (i) allot equity securities to the vendors of Newgate Communications Pty Limited (Newgate Australia) in consideration for the acquisition by Porta Communications Plc of a further 4.43 percent of the shares in Newgate Australia; (ii) allot equity securities to the vendors of Redleaf Communications Limited in consideration for the acquisition by Porta Communication Plc of a further 19 percent of the shares in Redleaf Communications Limited; and (iii) allot equity securities to the vendors of Newgate Communications (HK) Limited in consideration for the acquisition by Porta Communication Plc of a further 20 percent of the shares in Newgate Communications (HK) Limited. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

Resolution 8 – Directors' power to issue shares for cash

This resolution authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either: i) where the allotment takes place in connection with a right issues, open offer or other pre-emptive offer; and/or ii) the allotment other than pursuant to i) above of up to a maximum nominal amount of £460,890.67, representing approximately 10 percent of the nominal value of the issued ordinary share capital of the Company as at 30 April 2018 being the latest practicable date before publication of this notice, but also including the 3,954,619 ordinary shares to be allotted to two former employees of PPS Group Limited, as announced on 24 April 2018. The Directors consider that the power proposed to be granted by resolution 8 is necessary to retain flexibility to allot equity securities for cash. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 18 months after the passing of the resolution, whichever is the earlier.

Resolution 9 – Authority to purchase shares (market purchases)

This resolution authorises the Board to make market purchases of up to 46,089,067 ordinary shares (representing approximately 10% of the Company's issued ordinary shares as at 30 April 2018, being the latest practicable date before publication of this notice), but also including the 3,954,619 ordinary shares to be allotted to two former employees of PPS Group Limited, as announced on 24 April 2018. Shares so purchased may be cancelled or held as treasury shares. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The minimum price that can be paid for an ordinary share is 1p being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the AIM Index of Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

Resolution 10 – Political Donations

This resolution seeks approval from shareholders to enable the Company to make donations or to incur expenditure which it would otherwise be prohibited from making or incurring under the relevant provision of the Companies Act 2006 (the 'Act'). The Company's policy is not to make donations to political parties and there is no intention to change that policy.

However, the Act defines political expenditure, political donations and political organisations very broadly such that normal business activities which might not be thought to be political expenditure or a political donation to a political organisation in the usual sense may be included. For example, sponsorship of industry forums, funding of seminars and other functions to which politicians are invited, matching employee's donations to certain charities, expenditure on organisations concerned with matters of public policy, law reform and representation of the business community and communicating with the Government and political parties at local, national and European level may fall under the terms of the Act.

Accordingly, the Company, in common with many other companies proposes to seek authority to incur a level of political donations to political parties, independent election candidates and political organisations as well as political expenditure, to cover these kinds of activities on a precautionary basis, in order to avoid possible inadvertent contravention of the Act. The authority does not purport to authorise any particular donation or expenditure but is expressed in general terms, as required by the Act. Furthermore, as permitted under the Act, the authority has been extended to cover any political donations made or political expenditure incurred by any subsidiaries of the Company. Therefore, as a precautionary measure, you will be asked to give the Company and each of its subsidiaries authority to make political donations to political parties or independent election candidates, to make political donations to political organisations (other than political parties) and to incur political expenditure. These authorities are limited to a maximum aggregate sum of £150,000.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 18 months after the date of passing of this resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for the next financial year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Form of Proxy

For use at the annual general meeting of Porta Communications Plc (the 'Company') to be held at Sky Light City Tower, 50 Basinghall Street, London EC2V 5DE on 31 May 2018 at 2.00 p.m. (the 'AGM')

Resolutions	FOR	AGAINST	VOTE WITHHELD
ORDINARY BUSINESS:			
1. To receive the Report and Accounts for the year ended 31 December 2017 (ordinary resolution)			
2. To elect Fiorenzo Tagliabue as a Director (ordinary resolution)			
3. To elect Brian Tyson as a Director (ordinary resolution)			
4. To elect Emma Kane as a Director (ordinary resolution)			
5. To appoint Grant Thornton UK LLP as auditors (ordinary resolution)			
6. To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)			
SPECIAL BUSINESS:			
7. To authorise the Directors to allot relevant securities (ordinary resolution)			
8. To empower the Directors to allot equity securities for cash on a non pre-emptive basis in certain circumstances (special resolution)			
9. To authorise the Directors to make market purchases of its Ordinary shares (special resolution)			
10. To authorise the Directors to make political donations (ordinary resolution)			

I/We [insert name]..

of [insert address] ....

being a member of the Company:

(1) hereby appoint ....
or, failing him/her, the Chairman of the AGM to act as my/our proxy to vote for me/us and on my/our behalf at the AGM of the Company to be held on 31 May 2018 and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 30 April 2018 (the 'Resolutions') and any other business (including adjournments and amendments to the Resolutions) which may properly come before the AGM or any adjournment thereof;

(2) direct my/our proxy to vote as set out above in respect of the Resolutions: (PLEASE INDICATE WITH AN 'X' IN THE BOXES ABOVE)

If you wish to appoint multiple proxies, please see note 2(c). Please tick here if you are appointing more than one proxy: ☐

Signature.. Date... 2018

Notes

1. Please indicate how you wish your votes to be cast on a poll in respect of the Resolutions to be proposed at the AGM. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting. Your proxy will have the authority to vote at his/her discretion on any amendment or other motion proposed at the AGM, including any motion to adjourn the AGM.
2. To appoint as a proxy a person other than the Chairman of the AGM insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
    a. To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
    b. To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'or, failing him/her, the Chairman of the AGM' and insert the name and address of your proxy in the space provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
    c. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the AGM'. All forms must be signed and should be returned together in the same envelope.
3. Unless otherwise indicated the proxy will vote as he/she thinks fit or, at his/her discretion, abstain from voting.
4. The Form of Proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must arrive at SLC Registrars during usual business hours accompanied by any power of attorney under which it is executed (if applicable) no later than 2.00 p.m. on 29 May 2018.
5. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
6. The 'Vote Withheld' option is to enable you to abstain on any particular Resolution. Such a vote is not a vote in law and will not be counted in the votes 'For' and 'Against' a Resolution.
7. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the Register of Members of the Company at 6.30 p.m. on 29 May 2018 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so. If the member appointing the proxy does attend and vote, any proxy appointment will automatically terminate.

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