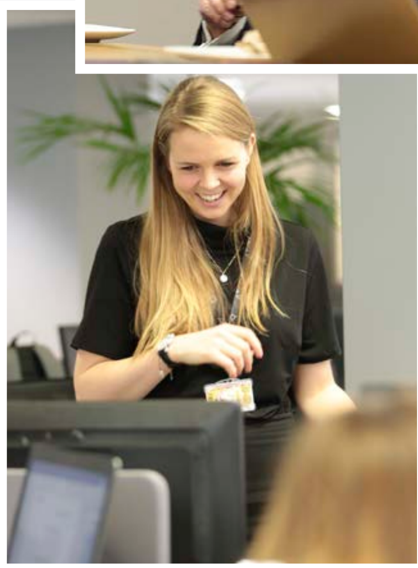
PORTA COMMUNICATIONS PLC
ANNUAL REPORT 2018
FOR THE YEAR ENDED
31 DECEMBER 2018

“2018 WAS A PIVOTAL POINT IN THE TRANSFORMATION OF THE GROUP.”
JOHN FOLEY, CHAIRMAN



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COMPANY INFORMATION

DIRECTORS:	John Foley Fiorenzo Tagliabue Emma Kane Brian Tyson Rhydian Bankes Gene Golembiewski
COMPANY 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 Elder House St Georges Business Park 207 Brooklands Road Weybridge Road Surrey KT13 0TS
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
FINANCIAL COMMUNICATIONS:	Newgate Communications Limited Sky Light City Tower 50 Basinghall Street London EC2V 5DE
COMPANY WEBSITE:	www.portacomms.com

HIGHLIGHTS

ACQUIRED THE FOLLOWING FURTHER INTERESTS IN PROFITABLE GROUP COMPANIES:

- **19%** of Redleaf
- **4.43%** of Newgate Australia
- **20%** of Newgate Hong Kong
- **6%** of Newgate Singapore

EMMA KANE appointed to the Board

Integrated **REDLEAF** and **PUBLICASITY** into **NEWGATE** Communications Limited

GROSS PROFIT of **£31.2m**

ADJUSTED EBITDA of **£1.9m**

EMMA KANE & BRIAN TYSON appointed Joint Chief Executives

SHANGHAI OFFICE opened

Divestment of Capital Access and **CANCELLATION** of **GUARANTEE** up to **£1.0m**

FURTHER ANNUALISED COST SAVINGS IN THE UK of net **£1.7m**

53% of revenue is from **NON UK CLIENTS**

PROFIT BEFORE TAX FOR THE APAC REGION of **£1.5m**

Our Purpose...

We build and protect brands and reputations, solving problems with evidence, enthusiasm, creativity and integrity.

Our Vision...

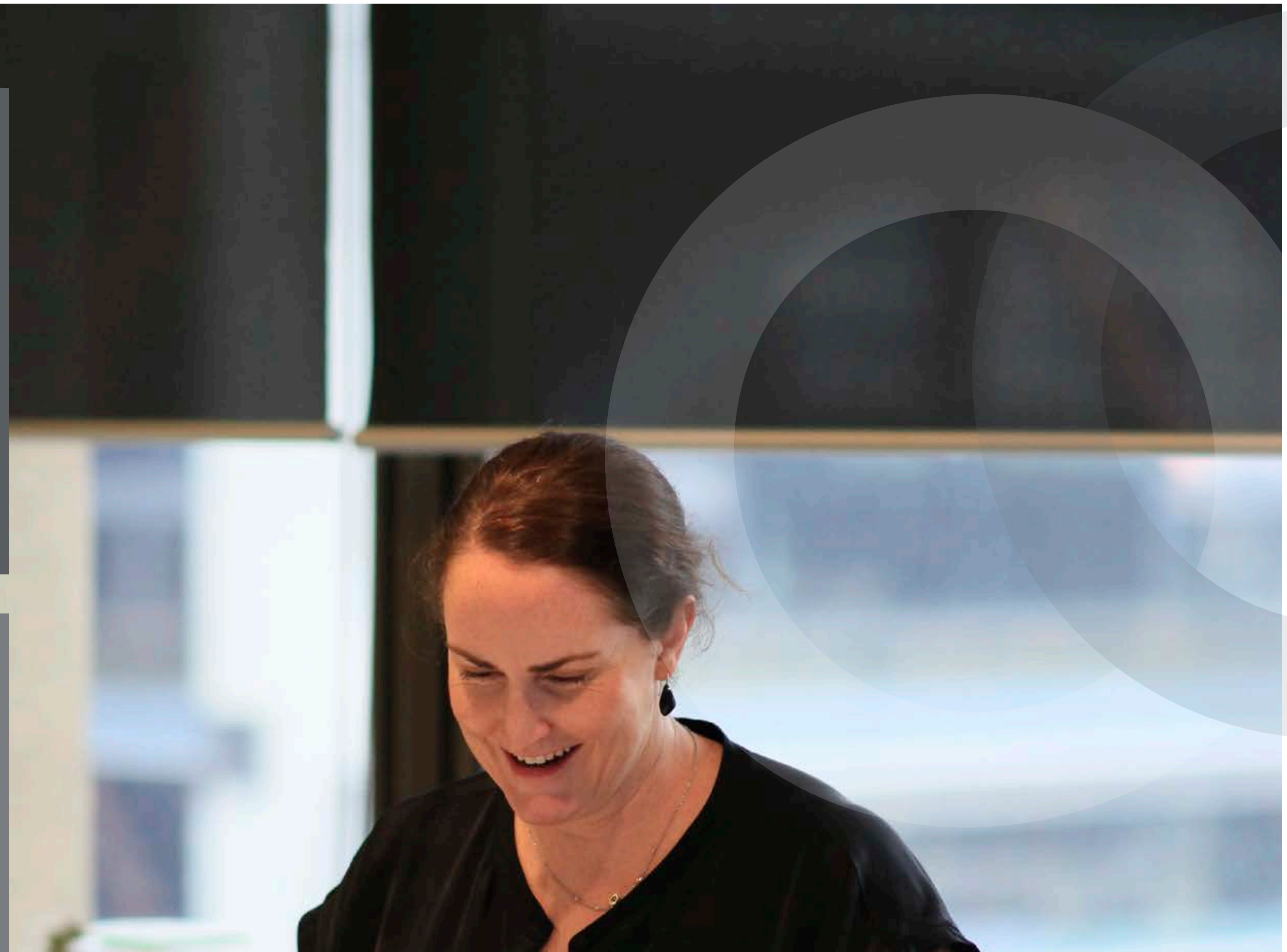
Is to be the world's best communications firm.

Our Philosophy...

Communications should be insight-driven and delivered by the 'best team for the job' curated from experts from across the full communications spectrum, seamlessly deployed.

Our Priorities...

Universal: Cost-control
Strategic: An integrated approach
Organisational: Culture



Our Strategy...

To leverage our specialised and research-backed integrated communications offering across the key practice areas of financial, corporate, public affairs, engagement and digital, to provide clients with cut-through communications outcomes across our network of offices around the world.

What We Do...

Our teams operate across sectors where our in-depth strategic expertise, and technical and regulatory knowledge is unrivalled. Our highly specific and deep and profound understanding of market drivers ensure the market recognises our expertise and values the advice of our senior team and their insight in these markets. This allows us to offer a senior, value-added service that many competitors cannot.

Our Values...

Collaborative
Authentic
Respectful
Ethical
Fun

Our Core Sectors

- Energy and Utilities
- Agriculture, Retail, Food and Beverage
- Resources and Mining
- Health and Education
- Property and Urban Renewal
- Consumer Goods
- Technology, Media and Telecommunications
- Private Equity
- Financial and Professional Services
- Transport and Infrastructure
- Sport, Leisure and Tourism

CHAIRMAN'S STATEMENT

"THE 2018 RESULTS REFLECT THE MOVE TO FOCUS ON DELIVERING SUSTAINABLE GROWTH AND PUTTING IN SYSTEMS AND PROCESSES TO STREAMLINE ACTIVITIES, IMPROVE FORECASTING AND MINIMISE WASTAGE."

2018 WAS A PIVOTAL POINT IN THE TRANSFORMATION OF THE GROUP. DURING THE YEAR, WE SIMPLIFIED THE BUSINESS, REDUCED ITS EXPOSURE TO RISK, AND DROVE OPERATIONAL EFFICIENCIES AND PERFORMANCE IN ORDER TO DELIVER POWERFUL, SUSTAINABLE, POSITIVE RESULTS TO SHAREHOLDERS.

In April 2018, the Board took decisive action to appoint two of its most successful business operators, Emma Kane and Brian Tyson, as Joint Group Chief Executives; at the same time, Emma Kane was also appointed Chief Executive of Newgate Communications Limited in the UK. This news was very well received internally and externally and I am pleased to report that they are successfully leading the overhaul of the Group culturally, operationally and financially.

FINANCIAL AND OPERATIONAL OVERVIEW

Transformation is not achieved overnight and the 2018 results reflect the move to focus on delivering sustainable growth and putting in systems and processes to streamline activities, improve forecasting and minimise wastage.

- Revenue was £35.9m (2017: £40.3m)
- Gross profit decreased by 8.8% to £31.2m (2017: £34.2m)
- Reported EBITDA decreased by 81.8% to £0.4m (2017: £2.2m)
- Adjusted EBITDA decreased by 32.1% to £1.9m (2017: £2.8m)
- The loss before taxation was £4.1m (2017: £3.0m)

The new Joint Group CEOs immediately focused on establishing a cohesive and aligned management team both at the Group and company operational levels. The first step was presenting and seeking endorsement for the strategic plan for the Group. In June 2018, the inaugural international summit was held in London, and the operational and strategic alignment commenced.

The UK business restructuring that began in 2017 was required as there had been little integration of acquired businesses. This, coupled with a top-heavy cost base, had resulted in a reliance on securing large one-off projects to cover costs; in 2017, two projects alone had delivered £1.7m of gross profit. I am pleased to report that this restructuring is now drawing to a close, with the full effect of the net annualised £3.6m of savings delivered only truly expected to become clear at a reported EBITDA level in 2019.

The APAC businesses continue to develop and gain a strong foothold in the region delivering a combined EBITDA of £1.7m in the year. Likewise, prior to its integration into the Newgate operating company in the UK, Redleaf was delivering EBITDA margins of 19.6% and a reported EBITDA of £713k for the first 10 months of 2018.

Group operational cash flow was positive in the year, delivering a £0.7m inflow in stark contrast to the £1.1m outflow in 2017, reflecting the stronger operational control at the company level, which continues to be a focus across the Group.

During the year, the Company finalised the installation of a consistent Group-wide accounting and job costing platform from which the profitability taskforce has performed a full review over job costing throughout the international network. I am also pleased to report that the Group consolidation and reporting platform, Oracle's FCCS, is now in full use for all month end and statutory financial reporting, delivering a robust, efficient and controlled tool for the management of the Group numbers.

STRATEGY

The new leadership team put in place a detailed strategic plan, developed in conjunction with the senior leadership team from across the Group. It is focused on driving growth and profitability, developed against a strong understanding of the Group's Purpose, Values and Vision. The plan revolves around:

- Operating seamlessly as an integrated, strategic communications business locally, nationally and internationally;
- Maximising the Group's productivity and profitability;
- Building a motivated, talented team that is passionate about being the best; and
- Focusing our resources on delivering the optimum result for our clients, our shareholders and our employees.

Three core priority focus areas were identified in order to deliver this plan and drive the implementation from across the Newgate international footprint:

- Building critical mass by integrating our UK businesses, investing in our teams, focusing on core sectors, to focus on successful organic growth and establishing additional business offerings and affiliates in key strategic locations locally and internationally;
- Rolling out and developing new products and services to complement our integrated model such as social market research from Australia and insight and digital from the UK;
- Driving cross-selling and collaboration opportunities including the proposed establishment of a global crisis communications product taking advantage of our network and geographical spread and crisis expertise to provide 24/7 crisis support to organisations anywhere around the world; and
- Setting up inter-office taskforces to drive best practice in financial management and profitability, culture and talent development, and to build brand equity and familiarity/favourability in Newgate.

Progress of the business plan against objectives and KPIs, is monitored and evaluated by the Board on an ongoing basis.

ACQUISITIONS & DISPOSALS

During the year, Porta acquired the remaining 19% of Redleaf Communications, and a further 4.43% of Newgate Australia, 20% of Newgate Hong Kong and 6% of Newgate Singapore.

On 11 December 2018, the Group entered into an agreement with Industrial Lending 1 ('IL1') to dispose of its entire 39.5% holding in Capital Access Holdings Limited ('Capital Access'), which was loss making at the time, to IL1. Porta's guarantee of up to £1.0m to IL1 in respect of Capital Access was extinguished when Porta disposed of its full shareholding. >>>

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RESTRUCTURING

In November 2018, the three UK limited companies of Newgate, Redleaf and Publicasity were merged into one – Newgate Communications Limited. This has simplified the Group's structure and facilitates building one brand that provides seamless communications across the international footprint. The Group's consumer-focused communications business, Publicasity, will continue to operate under that brand for pure consumer briefs.

MARKETS AND THE ENVIRONMENT

The Board does not underestimate the potential impact on our business of events such as Brexit and the disruption caused by elections in Australia. However, the Board closely monitors risk and is reassured by the fact that no more than 5% of revenue is represented by one client. Our activities are also spread across approximately ten core industry sectors.

BOARD CHANGES

On 27 April 2018, Emma Kane and Brian Tyson were appointed Joint Group Chief Executives and Emma Kane joined the Board. On the same date, Steffan Williams, who was previously Group Chief Executive, left the Company and ceased to be a Director of the Company on 4 May 2018.

PEOPLE

I would like to take this opportunity to thank the 271 people across our Group who have shown such passion, dedication and excellence during the year under review. We are proud of our team, its diversity, and the results they have achieved. Our culture and our people are at the heart of everything we do and we are committed to investing in them to ensure that they are able to remain best in class and feel that they are building meaningful careers.

CORPORATE GOVERNANCE

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

POST BALANCE SHEET EVENTS

On 10 April 2019 the Company:

- Refinanced the 2017 Retro Grand Limited convertible loan with a new convertible loan from Retro Grand Limited and wrote off the default interest of £0.5m on the former loan;
- Entered into a convertible loan of up to £1.0m with SEC S.p.A ("SEC"). Draw down of the loan is conditional, among other things, upon shareholder approval of certain resolutions being proposed at a general meeting to be held on 26 April 2019;
- Entered into an agreement with Hawk Investment Holdings Limited to provide a facility of £1.0m in the event that the SEC Loan Agreement lapses due to its conditions not being met; and
- Announced that it has entered into preliminary discussions with SEC to examine the potential of an all-share merger to combine Porta and SEC into a larger entity with a scale and capacity across the enlarged global network.

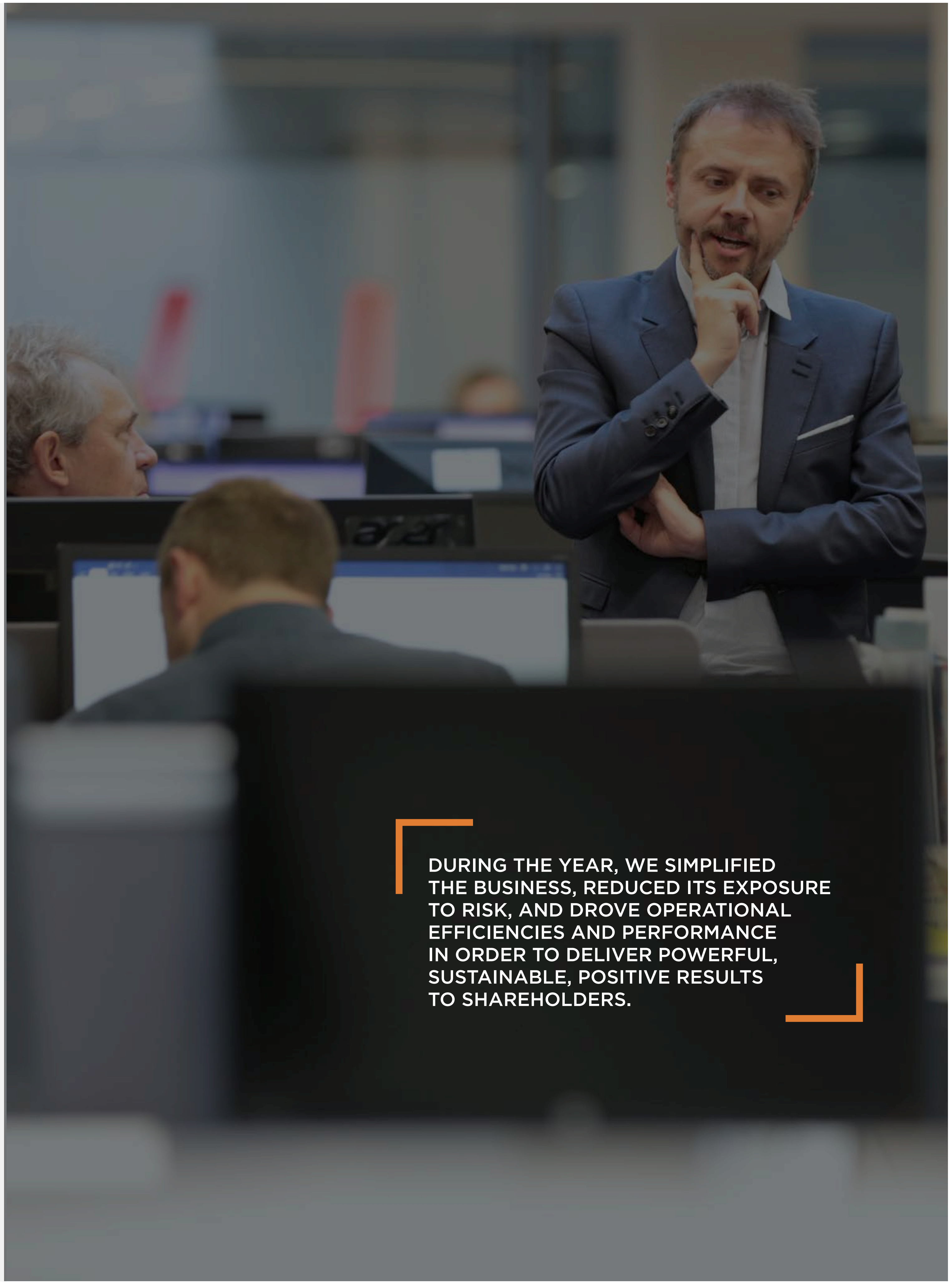
OUTLOOK

The restructured UK business has performed in line with the Board's expectations in the first two months of 2019 and the Group's performance was ahead of the equivalent period in 2018. However, there can be no certainty that this trend will continue as our major markets of the UK and Australia both face some immediate political uncertainty which could affect demand for our services during 2019. It is the Board's belief that we now have a business which is better able to operationally withstand such external pressures.

Operationally and structurally the Group is greatly improved, and, with the funding secured to support the Group's working capital needs, we now have the opportunity to examine a potential merger with our strategic investor, SEC, on which we will keep shareholders updated. We are pleased with the positive position the Group is now in and excited about the opportunities we believe we now have. We look forward to the future with renewed energy and confidence.

John Foley
Chairman

10 April 2019



Annual Report 2018 Porta Communications Plc

"WE RECOGNISE THE IMPACT THAT OUR CULTURE HAS ON OUR LONG-TERM BUSINESS SUCCESS AND IT IS TOP OF OUR AGENDA."

JOINT CEOs' STATEMENT

AS WE APPROACH THE FIRST ANNIVERSARY OF OUR APPOINTMENT AS JOINT CEOS OF PORTA, WE ARE PLEASED TO REPORT SIGNIFICANT PROGRESS IN WHAT WE HAD TERMED INTERNALLY AS OUR 'YEAR OF TRANSFORMATION' FOR PORTA.

The potential within the Group, evidenced by the quality of our people and our integrated offering, was always there, it just needed to be channelled and we believe we have made steady progress in this regard.

We have loved working together, sharing our experiences and expertise – it has truly been a case of two heads being better than one.

From the outset, we have sought to identify where we as a Group can truly excel and how to bring the best out of all we have.

One of our very first tasks was to develop a detailed strategic plan and work with our senior leadership team to harness their expertise and buy-in. It was sanctioned at the Group's inaugural international summit in London in June 2018.

From this gathering, we also put in place a series of global taskforces so that our leadership team could work together to identify and promote best practice in areas that are critical to our success such as: Culture, Profitability, Global Crisis Communications, Marketing, Research & Insights.

We have also concentrated on significantly improving the flow of information internally around the Group and creating a sense of unity. We are learning from each other too and are rolling out initiatives which we believe will help make our agencies destination firms and the best to work with in the world.

Our people are our most important assets – they are the ones who deliver the value to our clients and in turn our shareholders. We recognise the impact that our culture has on our long-term business success and it is top of our agenda. With the right culture we can attract and retain the very best people and we can deliver work of which we are truly proud.

In terms of the outlook, the Brexit deadline and responses to it are symbolic of the seismic shifts that seem to be occurring in all corners of the world. We are seeing big swinging election results and other polarising issues driving a wave of upheaval and backlash against governments and businesses with trust and reputation being challenged at every step of the way.

Of course, in our industry, this kind of change or disruption presents opportunity as organisations, be they large or small, seek support in dealing with these threats. With our suite of services and products and our integrated offering, we can assist organisations to confront these challenges and to rebuild that critical trust and protect and enhance reputations.

Business must now navigate a totally new environment.

The rules of engagement have clearly changed, with community expectation now the benchmark for what is acceptable. Unsurprisingly many organisations struggle to weigh the inherent conflict of legal and regulatory risk and compliance, shareholder returns, and protecting reputation in the court of public opinion.

So, restoring trust will be a key focus for business and for us as an opportunity in 2019.

Finally, as both an opportunity to benchmark the sentiment of our employees around their role within our operation and to also road-test a new product we intend to launch into the market, we recently conducted an Employee Sentiment Program across our entire 271 employees. This highly detailed report has provided us with a benchmark against which we can measure how well we are doing in the eyes of these key stakeholders, our people, on an ongoing basis. In this inaugural survey, our global overall score was 7.8/10. We look forward to reporting on how this evolves on an annual basis.

Every organisation wants the ability to tell their stories as effectively and efficiently as possible and we are no different. Together, we are investing significant time into building the Newgate brand and making it famous for its fresh-thinking and being the home of powerful work by exceptional people.

Emma Kane & Brian Tyson
Joint Chief Executive Officers

10 April 2019

EMEA

Emma Kane, EMEA

THE EUROPE, MIDDLE EAST AND AFRICA (EMEA) REGION IS MADE UP OF NEWGATE COMMUNICATIONS' OFFICES ACROSS THE UK AND IN ABU DHABI, ALONG WITH 2112 AND PUBLICASITY IN THE UK.

For all businesses in the region, it was a year of transformation and stabilisation moving from a reliance on one-off projects to a stronger retainer base thus providing far greater visibility of revenues and resourcing. In 2017, in the UK alone, two one-off projects delivered £1.7m of gross profit. This decision somewhat protected the business against the uncertainty caused by Brexit and resultant lack of M&A and IPO transactions.

A concerted effort was also made to integrate the disparate businesses and offices to deliver a truly seamless offering across the whole region and all communications disciplines. The team structure and balance was also reviewed making it less top heavy and improving diversity significantly.

> **"WE ARE PROUD OF THE PEOPLE WE EMPLOY FROM A DIVERSE RANGE OF BACKGROUNDS AND CULTURES. AS AT DECEMBER 2018, NEWGATE COMMUNICATIONS' EMPLOYEES WERE 51% FEMALE AND 49% MALE."**

NEWGATE COMMUNICATIONS UK

2018 WAS A YEAR OF TWO HALVES. IN THE FIRST HALF, THE BUSINESS LACKED STRUCTURE, DIRECTION AND LEADERSHIP. THE FOCUS OF THIS REPORT IS THEREFORE TO COMMUNICATE THE SIGNIFICANT STRIDES TAKEN IN THE SECOND HALF OF THE YEAR FOLLOWING THE CHANGE OF LEADERSHIP TO CREATE A STRONG PLATFORM FOR GROWTH, TOGETHER WITH THE RESULTS ACHIEVED THUS FAR.

The team is focused on providing insight-driven, integrated communications – locally, nationally and internationally. Rather than doing this across any sector, we are directing our efforts on a number of sectors where our in-depth strategic expertise lies and where there is a demand for a truly integrated offering. And for everything we do, we consider 'which is the right team for the job', drawing upon the experience and expertise of consumer/financial/corporate communications experts, investor relations specialists, former brokers, journalists, planning experts, digital gurus and insight blackbelts.

For every new piece of client work, our team ensures that a clear scope of work exists so that we can agree what success looks like, and that it has been carefully costed.

During the year, we changed the way we work. There had previously been little true integration of the UK businesses but silos are now being eradicated. Instead, a 'one P&L' approach has been implemented to achieve the wider corporate goal; this is now consistent with the way our international offices operate. We are delighted with the level of collaboration both within and between offices – driving a 'one firm' firm approach.

OUR PEOPLE

A Senior Leadership Team was put in place to help stimulate change, drive the culture of collaboration and champion best practice across the business. Every member of the team now has a Personal Development Plan and a clear understanding of their role in achieving the corporate goal as well as a clear career path.

Investing in our people is of paramount importance. Requirements are identified through our Personal Development meetings held with each person in the company. Training takes many forms but includes regular Lunch 'n' Learns delivered by our colleagues and contacts.

The wellbeing – both physical and mental health – of our team is something we feel passionately about. Our teams often work in stressful situations where long hours are required. During the year, we introduced a number of initiatives to support our colleagues, including agreeing to train a number of Mental Health First Aiders.

We also streamlined seven different employee benefits packages to one for all UK employees, bringing with it significant efficiencies as well as levelling the playing field for our team. In addition, a clearly defined incentives package has been created to reward individuals for achieving excellence – this is linked to both corporate and personal performance.

We are proud of the people we employ from a diverse range of backgrounds and cultures. As at December 2018, Newgate Communications' employees were 51% female and 49% male.

Whilst the UK business is not at a size where it is required to conduct a Gender Pay Gap analysis, we did. This revealed a mean gender pay gap where women are paid 6% more than men on average and a median gender pay gap (the mid point of men's pay being 9% higher than the mid-point of women). However, Newgate embraces dynamic working and 7% of its female employees work part-time, yet count as a fully-employed person when calculating the statistics. 60% of the Newgate Communications Limited board is female compared to 40% male. >>>

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REDUCING OUR COSTS AND RISK EXPOSURE

A further £1.7m of non-performing costs were stripped out of the UK businesses. Redleaf Communications moved into Sky Light City Tower in February 2018.

In addition, the three limited companies of Redleaf, Publicasity and Newgate were merged into one (Newgate UK) and economies of scale achieved including consolidating the finance teams, number of audits, reporting, etc.

As Porta divested its holding in Capital Access Group, Newgate now provides an Investor Access service as part of its integrated offering following the merger of the Redleaf team.

OUR WORK

During 2018, Newgate advised clients on a wide range of complex issues, locally, nationally and internationally helping organisations to find and promote a distinctive market positioning through proactive communications programmes. This included high profile situations, campaigns and transactions supported by specialist teams out of London, Manchester, Bristol and Cardiff, often in partnership with our Newgate colleagues in overseas offices.

Whilst the business is channel agnostic, it has deep experience in some sectors, particularly financial services, professional services, retail, technology, support services and energy & infrastructure. It is advising organisations in the UK as well as managing cross-border mandates and campaigns, both B2B and B2C.

CROSS BORDER WORK

Newgate's cross-border activities continue to grow. One example is the international corporate communications programme for Temenos, led by the London team in partnership with colleagues in Hong Kong and Australia as well as partners in the US. Over the last 12 months the team has been successfully raising the profile of Temenos in its key markets around the world, including supporting activity at SIBOS 2018 in Sydney. Newgate continues to advise an increasing number of clients on a pan-European or global basis.

INTEGRATED CAMPAIGNS

The integrated offering and ability to provide seamless campaigns has proved highly attractive to a number of organisations. Newgate was appointed by Menzies Distribution, following its separation from Menzies Group, as well as by Moorepay, the payroll company, Innogy Innovation Hub, a tech disruptor and Seneca Investment Managers. Other integrated team wins across the corporate practice, public affairs, leadership communications and the consumer team, Publicasity, also has included Vicis, the US head protection company and CentralNic, the domain registry company as well as Jurys Inn and Taylor Wimpey.

RANKINGS

Following the successful merging of Newgate and Redleaf's Capital Markets teams, Newgate moved to third in the AIM Advisors Ranking Guide, for the number of UK listed clients, and first in sectors including Financial Services and Consumer Services. The team won a number of new clients and IPOs. One new client was royalty finance pioneer, Duke Royalty, which was one of AIM's best performing shares of 2018. On appointment, the company had a market cap of c. £40 million. Our campaign which went far beyond a traditional financial PR mandate with Investor Access and corporate PR initiatives – Duke Royalty entered 2019 with a market cap of over £80 million. Other new client wins included, Windar, Elaghmore Partners, Alpha Financial, Powerhouse Energy and Inovalis REIT.

ISSUES MANAGEMENT

Our specialist teams were busy with issues management projects including handling the communications for House of Fraser until it was acquired by Mike Ashley's Sports Direct. The team handled the Company Voluntary Arrangement for 5-a-side football supplier Powerleague and also undertook a number of high-profile crisis assignments during the period such as the significant Boardroom dispute for Stobart Group, as well as complex fraud cases.

SPECIALIST EXPERTISE

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 GKN Pension Scheme during the bid by Melrose Industries for GKN plc winning praise and recognition from industry experts and senior journalists. Working with other advisers, the Trustees were ultimately successful in securing an enhanced offer for its members from both GKN and Melrose, irrespective of the outcome of the bid. In 2018, Newgate UK advised eight FTSE 100 pension schemes.

Due to the team's vast experience in the energy and infrastructure sectors, Newgate's Engage team was appointed by Gatwick Airport Ltd to deliver consultation in support of its draft masterplan. The London and Bristol offices delivered the consultation programmes for two development consent order applications for Highways England. The team also secured consent for the first phase of the International Advanced Manufacturing Park for Sunderland and South Tyneside Councils and were appointed by Transport for the North to provide strategic communications support as it delivers the pan-Northern strategic transport plan. Newgate has built a community of stakeholders who are able to tell their story about why the plan is necessary to support economic growth. As a result of its reputation as recognised industry leaders in consulting on development consent order (DCO) applications, Newgate was appointed on two new DCO projects. Our specialist property and planning team's expertise resulted in working for some of the biggest names in the housing sector.

Following our previous work with PRS for Music, we were appointed by UK Music to run a 6 month campaign to generate awareness and support for the EU Copyright Directive, a major piece of digital copyright legislation. The campaign's high point was a live busking stunt outside of Google's office in King's Cross.

Other new client briefs where significant specialist industry knowledge was required included Mastercard and PFM – the largest US public sector financial advisory firm.

INSIGHT & RESEARCH

Our Insight & Research team is critical to informing, structuring and measuring our communications programmes. Their insight ensures that we are developing and implementing communications programmes that are focused on one goal – helping our clients achieve their business objectives.

During the year, we invested in our digital insights team. We also agreed to rollout the highly successful Newgate Research offering from Australia, in the UK. Daniel Clay was appointed as Managing Partner to spearhead Newgate Research UK which was launched in March 2019.

PRO BONO WORK

Helping organisations to communicate more effectively will help them demonstrate how they make a difference. We are proud to use our skills to support charities and not for profit organisations either through Pro Bono work or reduced charity rates. Every member of our team is given one day to spend out of the office working with registered charities to help have a positive impact on the world around us – we also believe this is important to help us deliver our purpose.

A number of our colleagues sit on Boards of charities and not for profit organisations and we believe this helps provide greater insight and support which in turn will help us with our corporate purpose, vision and business goals. Organisations supported include: Target Ovarian Cancer, MicroLoan Foundation, and FairLife Foundation.

OUR PROFILE

The team delivered a number of industry seminars and thought leadership activities focusing on key secular issues, including gender pay gap reporting and issues management for financial institutions. Senior executives also commented in the media on industry issues.

The team's excellent work was widely recognised including winning the PRCA National Awards 2018 for Best Communications in Support of a Transaction for Canyon Bridge's acquisition of Imagination Technologies (Newgate acted for Canyon Bridge) and Newgate is currently shortlisted for the PR Agency of the Year 2019 (Headline Money).

PUBLICASITY

PUBLICASITY IS NEWGATE'S CONSUMER COMMUNICATIONS BRAND. THE BUSINESS WAS RESTRUCTURED AT THE BEGINNING OF 2018 AND, AS A RESULT, TWO OF THE THREE DIRECTORS LEFT THE BUSINESS.

Following their departure, a new business strategy was put in place to build on its core sector specialisms. During the last quarter of the year the agency saw wins from hotel groups Jurys Inn and Leonardo Hotels, a move that put the agency firmly back into the travel and leisure sector. There was also a return to the luxury goods sector with Seiko watches which began work in 2019.

Whilst the Publicasity team continued to offer clients an integrated suite of communications services, it began developing its offer in the digital sphere, with its first organic wins for its influencer outreach for both vaping brand blu and Tesco F&F, which includes influencer outreach across four different markets in Central Europe.

The Tesco F&F Christmas campaign showcased the complete range of womenswear, menswear, kids, baby, accessories and gifting. The Christmas campaign alone generated a 23% increase in coverage, with 199 pieces generated in top tier coverage, generating an AVE of £3,780,029 – a 55% increase year on year.

For blu, Publicasity refreshed their tone of voice and visual identity and shifted the role of social platforms to include functionality like live streaming and stories. Working within a highly regulated area we also shifted the focus towards the mind-set of the quitter, creating a creative platform around "Journeys of Betterment" – telling inspirational stories of individuals who have succeeded despite their circumstances. The innovative use of influencers and long-form social video documentaries resonated massively with their audience and shifted the strategy of blu forever. And the results speak for themselves. In the first three months, we:

- Increased engagement from target audience by over 75%;
- Created the highest volume of social conversations in 12 months whilst creating the highest volume of positive sentiment for blu ever seen in social media; and
- Drove over £350,000 in sales directly from social channels.

"PUBLICASITY OFFERS PR, DIGITAL, CONTENT CREATION AND BRAND EXPERIENCES, BOTH B2B AND B2C. THE TEAM IS MADE UP OF AN INCREDIBLY DYNAMIC, DIVERSE AND ENERGETIC TEAM BUZZING WITH CREATIVE IDEAS, INSIGHT DRIVEN CAMPAIGNS AND A DOWN-TO-EARTH APPROACH."

NEWGATE UAE

NEWGATE UAE IS NOW IN ITS FIFTH YEAR AS PART OF THE PORTA GROUP.

The economic climate, coupled with increased competition, made trading conditions difficult in the United Arab Emirates and the wider Middle East region as a whole.

However, the Newgate UAE team won two key prestigious accounts – The Central Bank of the UAE and the UAE Embassy in China. The team also continued its work with The Communications Regulatory Authority in Qatar – CRA. As a result, the team's balance of a mix of public and private sector work, is currently slightly more weighted on the public sector.

The Company was above budget in terms of revenue and gross profit, but operating expenses relating to recruitment and employment costs were higher than forecast.

2112 COMMUNICATIONS

DURING 2018, 2112 COMMUNICATIONS CONTINUED TO STRENGTHEN RELATIONSHIPS WITH KEY CLIENTS, ATTRACT NEW CLIENTS, BUILD REPUTATION, AND EXPAND CAPABILITIES TO BE ABLE TO DELIVER EXCEPTIONAL CREATIVE SOLUTIONS.

The team was successful in winning a number of new clients including: La Salle Investment Management, Lombard International, Nikko AM, The Investment Association, Velocity and BNP Paribas.

However, a core focus was strengthening and expanding its relationship with existing clients. The relationship with BNY Mellon IM grew during the year, adding the BNYM IM marketing team in New York to 2112's list of clients that already covers UK, EMEA, and APAC. 2112's work for BNYM IM includes, studio, print, design, and digital and during 2018 we delivered 1,073 separate jobs.

In 2018, 2112 launched its new website, positioning itself around three core themes:

THINK – We distill complexity into clarity and uncover insights that help businesses prosper. We develop existing brands and create new ones. We innovate to increase awareness and engagement.

CREATE – We originate communications that work. Our creativity is designed to reflect your brand personality while ensuring your message is noticed in a crowded environment.

DELIVER – Stand-out creative needs to be delivered to the highest standards, on time and on budget. We use best practice to implement the right solutions for multi-channel delivery.

"2112 ARE A TRUE EXTENSION OF OUR MARKETING TEAM. THEY UNDERSTAND OUR BUSINESS, OUR INTERNAL AND EXTERNAL STAKEHOLDERS AND ARE ABLE TO MOVE SWIFTLY ON OUR MULTITUDE OF PRIORITIES AND DEMANDS, WHICH THEY STRIVE TO MEET UNDER EVEN THE MOST DEMANDING OF DEADLINES."
HERMES

"WORKING WITH 2112 HAS BEEN AN ABSOLUTE PLEASURE. HAVING A SMALL, AGILE AGENCY JUST AROUND THE CORNER IS VITAL GIVEN OUR PACE OF WORK AND LAST-MINUTE NATURE OF OUR REQUESTS. THEY ALWAYS ASK THE RIGHT QUESTIONS, AIM TO FIT THE BRIEF – EVEN IF WE DON'T GIVE A VERY CLEAR ONE! – AND LISTEN TO FEEDBACK. THERE IS A MARKED DIFFERENCE BETWEEN AGENCIES THAT TRY TO PUSH THEIR IDEAS ONTO OTHERS AND DON'T LISTEN TO COMMENTS, AND THOSE THAT DO. THE EXECUTION IS ALWAYS BETTER AND THE DELIVERABLES ARRIVE ON TIME, IF NOT EARLY".
LEGAL AND GENERAL

APAC

Brian Tyson,
APAC

THE ASIA-PACIFIC (APAC) REGION, MADE UP OF OUR BUSINESSES IN GREATER CHINA, SINGAPORE AND AUSTRALIA, ENJOYED ANOTHER STRONG YEAR OF GROWTH AND PERFORMANCE.

A key highlight for the year was the announcement in August of our combined APAC businesses being awarded the prestigious Holmes Report APAC Financial Communications Agency of the year. This capped off a solid year of working on some of the most significant transactions in the market over the period.

In Hong Kong, we had a very busy year working on some of the largest and most high-profile transactions ever to come out of China.

In Singapore, our business grew by more than 12 per cent and in Australia we consolidated our position as the leading integrated communications firm in the market as we celebrated our fifth year of operation.

> “OUR COMBINED APAC BUSINESSES BEING AWARDED THE PRESTIGIOUS HOLMES REPORT APAC FINANCIAL COMMUNICATIONS AGENCY OF THE YEAR. THIS CAPPED OFF A SOLID YEAR OF WORKING ON SOME OF THE MOST SIGNIFICANT TRANSACTIONS IN THE MARKET OVER THE PERIOD.”

NEWGATE AUSTRALIA

NEWGATE AUSTRALIA CELEBRATED ITS 5TH ANNIVERSARY AS A BUSINESS AND ENJOYED ANOTHER SUCCESSFUL YEAR WHERE IT CONSOLIDATED ITS POSITION AS THE LEADING INTEGRATED COMMUNICATIONS COMPANY IN THE AUSTRALIAN MARKET.

The business now operates out of five offices across Australia (Sydney, Melbourne, Canberra, Brisbane, Perth) with total staff numbers now over 80. This year, we completed office upgrades and refits for our growing Canberra, Perth and Brisbane operations and now have the capacity for further growth in these key markets.

A highlight of the year was our “Newgate Turns 5” client party which was held in the Botanic Gardens in Sydney in August where we hosted nearly 300 guests to mark this important milestone in our history. It was an opportunity to reflect on our journey from a start-up with a handful of staff in borrowed offices in 2013 and to thank all our clients and friends who have supported us along the way.

On the business front, the year was dominated by the Commonwealth Government’s Royal Commission into the Financial Services Industry where we were called upon to provide advice and support to a number of leading Australian corporates in the banking, insurance and superannuation sectors. The interim report was handed down at the end of the year and foreshadowed the urgent need for major cultural change across the board. Our work not only involved supporting clients through the process but now continues as they seek to rebuild trust and restore reputations.

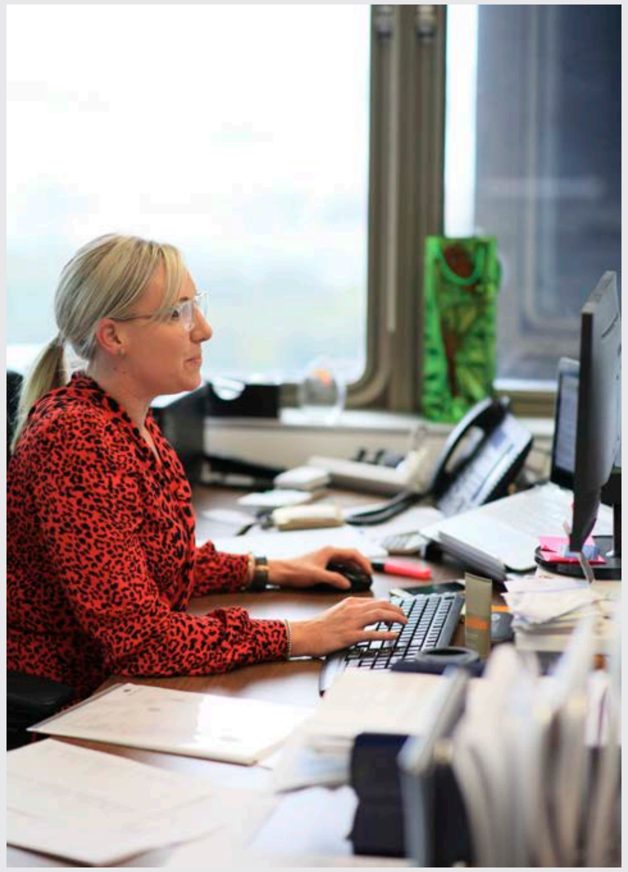
Two significant briefs for the firm this year included the very first sanctioned trial anywhere around the world of drone deliveries (food, medicines etc) in the nation’s capital of Canberra for our client Wing – a subsidiary of Google. This project is ongoing and has attracted a great deal of global interest as an insight into how the world may be functioning in the future.

The other significant brief was being engaged by the National Disability Insurance Agency (NDIA) which is charged with the responsibility for rolling out a massive social policy investment from the Commonwealth into the provision of support for people with a disability. Our work involves providing strategic and on-the-ground communications support across the country.

It was also a breakthrough year for our Engage business which picked up a number of significant briefs across the country making the most of the infrastructure boom underway in Sydney, Melbourne and Brisbane at the moment. Newgate was engaged either through the Communications, Engagement or Research teams in as many as 20 major infrastructure projects in 2018. These include the A$20 billion plus Metro project in Sydney, Cross Rail in Queensland, the Metro rail project in Melbourne, the Sydney Fishmarkets redevelopment, the A$200 million NSW Art Gallery redevelopment project, Western Sydney Airport and Westconnex Motorway.

The Financial Communications team had a very strong year as well taking advantage of an uptick in M&A activity. We were retained on a number of significant briefs that remain ongoing and also won the mandate to support KKR as an ongoing client providing support for their transactional work in Australia. Our largest transaction for the year was advising the NSW Treasury on the sale of 51% of the Westconnex Motorway to Transurban for A$9.3 billion. In a major highlight for the year we were also awarded (alongside our colleagues in Singapore and Greater China) the Holmes Report APAC Financial Communications firm of the year capping off a great year for our teams.

Newgate Research also successfully developed a new product offering this year, ESP (Employee Sentiment Program), to assist business and organisations around employee/internal communications. This qualitative/quantitative research tool enables organisations to undertake a forensic assessment of what is driving employee sentiment and performance. Studies indicate a strong correlation between satisfied and motivated employees around productivity and workplace harmony and the ESP product not only establishes benchmark results but overviews what attributes an organisation should focus on to increase performance. >>>



>>> It is this type of analysis, alongside other proprietary tools, we have for measuring reputation in organisations (NewREP), that we believe will be in demand from corporates in the future as they deal with the impact of the growing trend around the erosion of trust issues between businesses and their stakeholders.

Looking forward, 2019 promises to be a watershed year in Australia with two major elections (NSW in March and Federal in May) falling in the first 6 months of the year. Both elections are expected to be tightly fought affairs and the results may well shake-up the policy framework governing business around issues like energy, industrial relations, property tax, water policy and general cost of living issues.

On the pro-bono front, we continued to support a number of organisations including Thrive, Ovarian Cancer Australia, Aurora and the Clontarf Foundation. We were particularly delighted that our support for Clontarf (an organisation that works to attract and keep indigenous boys in school and to complete Year 12) was instrumental in it obtaining funding and approval for the establishment of a further 19 academies in schools across NSW.

"NEWGATE AUSTRALIA CELEBRATED ITS 5TH ANNIVERSARY AS A BUSINESS."

NEWGATE SINGAPORE

2018 WAS A YEAR OF EXPANSION FOR NEWGATE SINGAPORE, AS WE ENLARGED OUR OFFICE AND GREW OUR TEAM BY A THIRD, INCLUDING SENIOR, MID-LEVEL AND JUNIOR HIRES. THIS WAS COUPLED BY CONTINUED GROWTH IN BOTH REVENUE AND PROFITS.

Along with the increase in staff, we took on several new corporate communications and investor relations retainers and project mandates. We also broadened our product offering by undertaking a number of research and benchmarking projects, providing objective and data-driven analyses of the communications efforts of various companies, both listed and unlisted.

We continued to build on our unbeaten track record in the financial communications space, advising on the closely-watched first merger of two Singapore-listed REITs, ESR-REIT and Viva Industrial Trust. We also advised on the privatisation of Wheelock Properties (Singapore), a storied property business, by its Hong Kong parent. In the fixed income space, we advised on two landmark bond issuances, both of which were very well-received by retail investors.

During the latter part of the year, together with our regional colleagues, we won the Holmes Report's SABRE Award for APAC Financial Communications Agency of the Year.

NEWGATE HONG KONG

AS INDICATED IN THE REPORT FOR THE YEAR ENDED DECEMBER 2017, NEWGATE ENTERED 2018 STRONGLY IN GREATER CHINA, CONTINUING WITH NUMEROUS NEW MANDATE WINS THROUGHOUT THE YEAR.

Revenues and profits for the year were significantly ahead of 2017 and the business delivered a PBT margin of 17.4%.

During the year Newgate Hong Kong was again pleased to be recognised by key industry publications for its work.

In addition to its share in the APAC Financial Communications Agency of the Year award, the Greater China business was also the 2018 Winner of the PublicAffairsAsia Gold Standard Award for Financial Communications and was a finalist in the PR Week Business to Business Client Campaign awards.

Notable new mandates included litigation work for a number of banks, hedge funds and liquidators around various activist and creditor default situations, a variety of M&A projects, work for Chinese e-commerce platforms DHGate and Pinduoduo, the latter of which we supported on its highly successful NASDAQ listing, a global communications project for Xiaomi, as well as its Hong Kong listing, crisis projects for a major global financial services group and for a large Macau-based firm, as well as work for a variety of firms in the technology and fintech sectors.

The Company opened a new Shanghai office in early March 2018 and the Hong Kong office moved to new larger premises in June 2018 to accommodate its expanding team.

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.

After rapid growth in 2018 the Company is focused on consolidating its position in 2019. The year has started with an encouraging number of project and retainer wins, including work for Cognatio on its sale to Elevate Services, and new work with DHGate, NIO Capital, The Executive Centre and AXA Tianping.

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

THE FOCUS FOR THE YEAR HAS BEEN ON PUTTING IN PLACE THE STRUCTURE NEEDED TO OPERATE AS A TRULY INTEGRATED GROUP AND TO LEVERAGE THE FULL BENEFITS OF THE BUSINESSES WE HAVE ACQUIRED AND STARTED, AND THE PEOPLE AND SKILLS WE HAVE ACROSS THE GROUP.

This year, we have managed our exposure to our cost base and we have created the operational structures needed to facilitate faster and more relevant internal KPI reporting, as well as improving the operational effectiveness of the business.

In 2018 further annualised net savings of £1.7m were implemented in the UK, taking the annualised total net cost removed from the UK businesses over the last eighteen months to £3.6m.

We have also de-risked the business having, in December 2018, sold our 39.5% stake in Capital Access Holdings Limited "Capital Access" in return for cancelling Porta's guarantee of up to £1.0m (in 10p Porta shares) thus removing a loss-making company from the Group and reducing Porta shareholders' exposure to further dilution.

For the year ended 31 December 2018, the Group delivered positive EBITDA on both a reported and adjusted basis and, whilst these were down on 2017, the majority of the variance was due to the continued restructuring of the UK businesses during the year.

- Gross profit was £31.2m (2017: £34.2m)
- Reported EBITDA was £0.4m (2017: £2.2m)
- Adjusted EBITDA was £1.9m (2017: £2.8m)
- Further annualised cost savings in the UK of net £1.7m

KEY FINANCIALS

Gross profit in the UK was materially impacted by large project based work that occurred in 2017 where two projects alone accounted for over £1.3m of fees. The lack of similarly substantial project fees, which in part was due to a Group-wide effort to focus on increasing the retainer client base, was a significant contributing factor to the negative variance. Newgate Hong Kong and Newgate Singapore continued their strong performance in 2018 both demonstrating double digit growth in gross profit in 2018, whilst Newgate Abu Dhabi realised top line growth of over 120%, albeit off a low base.

EBITDA on a reported and adjusted basis was £0.4m and £1.9m respectively (2017: £2.2m and £2.8m). Constant currency variances were immaterially different from reported. This year on year decrease has resulted from the fall in gross profit which was not offset sufficiently by the reduction in operational expenditure in the year, which was achieved primarily in the last quarter.

The reported and adjusted loss before tax were £4.1m and £0.1m respectively (2017: reported loss before tax of £3.0m and adjusted profit before tax of £1.1m) mirroring the reasons noted for the EBITDA variance.

The majority of the add-backs to reported EBITDA related to one-off costs associated with the restructuring, integration and simplification of the UK operations. This was finalised in the last quarter of 2018 when the three UK PR businesses (Newgate UK, Redleaf and Publicasity) were merged and the Group's stake in Capital Access was disposed of; along with the disposal of Summit Marketing Services earlier in the year. Redundancy and termination benefits paid to staff who exited the business in the year totalled £0.8m and are included in the £1.4m of add-back adjustments.

Non-recurring property costs were incurred as a result of the overlapping rent in Redleaf (who moved into Porta's main UK offices in Q1 2018), Newgate Hong Kong (who moved into larger premises in the year to accommodate their growing team), and a number of the UK regional offices.

The share based payment credit to the Statement of Comprehensive Income ("SOCI") reversed previously recognised share based payment expenses for qualifying employees who have since left employment; the majority related to previous executive Board members in connection with the Porta Midco share incentive plan.

PBT AND EBITDA RECONCILIATIONS

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Operating loss	**(2,876,916)**	(651,508)
Depreciation and amortisation	**2,448,743**	2,326,643
Loss on sale of fixed assets	**24,859**	–
Impairments of acquired intangibles	**842,811**	488,227
EBITDA from continuing operations	**439,497**	2,163,362
Add back exceptional costs:		
Reorganisation costs	**1,205,589**	607,367
Legal and other consultancy costs	**229,966**	3,517
Non-recurring property costs	**73,078**	–
Security impairment	**40,000**	22,871
Revaluation of contingent consideration	**–**	(28,296)
Provision for vendor loan guarantee	**–**	(71,902)
Total exceptional costs	**1,548,633**	533,557
Share based payment expense	**(117,731)**	120,736
Adjusted EBITDA	**1,870,399**	2,817,655
Loss before tax from continuing operations (as reported)	**(4,103,472)**	(3,022,797)
Add back:		
Exceptional costs	**1,430,902**	654,293
Exceptional finance costs	**–**	305,988
Amortisation on acquired intangibles	**1,725,516**	1,832,625
Impairments	**861,002**	1,352,039
Adjusted (loss)/profit before tax	**(86,052)**	1,122,148

Operating and administrative expenses were down £0.7m (2%) on 2017, however when adjusting for restructuring costs[1], impairments and amortisation and depreciation charged in the year, the adjusted variance is £2.1m (7%). The majority of the variance comes from employment costs, which across the Group were £1.0m (4%) below prior year on a reported basis and £1.6m (7%) on an adjusted basis; the number of staff across the Group, however, decreased by only two people reflecting the rebalancing of the business.

The impairment charge of £0.8m in the year is mainly due to the merging of Redleaf and Publicasity into Newgate UK, which resulted in a charge to the SOCI of £0.7m due to the required write off of both brands, originally arising from 2014 acquisitions. Amortisation of acquired intangibles reduced by £0.1m (5%) as a number of these intangibles are now fully amortised, thus decreasing the charge in the year. Conversely, depreciation was £0.2m (50%) higher than in 2017 mainly due to the impact of furnishing and equipping the enlarged office spaces in Australia and Hong Kong and general office improvements in the UK. As at the year end, there was an average of five years remaining of brand amortisation and one year of customer lists' amortisation, which will mean a dramatically reduced charge going through the SOCI from 2020 as things stand.

Finance expenses were down in the year, mainly as a result of the one-off fees associated with establishing the Revolving Credit Facility with Clydesdale in 2017. Interest charged on financial liabilities measured at amortised cost is predominantly interest from the convertible loan from Retro Grand Limited ("RGL")

[1] Restructuring costs are materially made up of redundancy and termination payments made to employees exiting the business

and the deep discount bond from Hawk Investment Holdings Limited ("Hawk"). Despite the coupon on both instruments being reduced in 2017 from 12% and 12.9% respectively to 8%, the interest charged in 2018 is consistent with that of 2017. The reason for this being that in June 2018 Porta was not able to satisfy the quarterly interest payment to RGL nor the capital repayment, and hence under the terms of the facility, the outstanding interest started to incur Additional interest of 12% and the loan capital incurred Default interest of 12% in addition to the 8% already being charged. The result of this was an additional interest charge of £0.3m in the year ended December 2018.

The tax credit for the year is mainly due to the continued unwinding of the deferred tax liability with respect to acquired intangibles, which was accelerated due to the impairment of several brands. This contrasts with the movement in 2017 where the release of a large deferred tax asset at Porta in combination with a higher current tax charge on Newgate Australia profits caused the significant charge to the SOCI.

COMPANY RESTRUCTURING

There is huge growth potential in the UK businesses specifically, however we know that this will only be realised if those businesses are set up and managed correctly, with a clear strategy and capacity and resources to deliver it. This is what we have been working towards.

In 2018, £0.7m of annualised costs were removed from Publicasity by merging the company into Newgate UK (whilst retaining its own brand) and modifying its internal structure to deliver the integrated offering which is at the Group's core.

In the second half of 2018, a further £1.8m of non-performing or overlapping (in the case of the merger with Redleaf and Publicasity which occurred from 1 November 2018) annualised costs were removed from Newgate UK, of which £0.8m was reinvested into areas identified for profitable growth, giving a net annualised saving of £1.0m. In 2018 therefore, there have been further net annualised savings in the UK businesses of £1.7m, taking the annualised total net cost removed from the businesses over the last eighteen months to £3.6m.

In December 2018, Porta reached an agreement with Industrial Lending 1 SA ("IL1"), the lenders of Capital Access, to sell its entire holding to IL1 in return for the cancellation of Porta's guarantee of up to £1.0m, to write off the debts owed by Capital Access to Porta Group companies of less than £0.1m and a three month extension to the Service Agreement providing premises for Capital Access to operate from. If called, the guarantee was to be satisfied in Porta Ordinary shares with a base value of 10 pence, and as such at the time of the disposal, would have resulted in Porta issuing ten million shares with a nominal value of 1 pence. The result of the disposal was to remove a loss-making company from the Group and reduce Porta's shareholders exposure to further dilution.

GROUP OPERATIONS

During 2018 there has been a concerted effort to improve the operating effectiveness of the Group so to enable management to make quicker informed decisions based on true underlying performance and data.

The systems project that was started in Q4 2016 finished in Q1 2018. All planned companies are now operating on a consistent chart of accounts and have job costing and timesheet functionality that they are using with a streamlined accounting package. The only companies that are yet to be operating as noted are due to their small scale and the cost versus benefits of operating the systems noted.

All companies are however now delivering monthly and statutory reporting to Group through Oracle's Financial Consolidation and Close Cloud Service ("FCCS"). This coupled with a restructuring of a couple of finance functions has resulted in a quicker turnaround of information enabling faster and more detailed reporting both internally and externally.

NET DEBT

The Group's debt position has been a major issue for a number of years and continues to be so. Having renegotiated the coupon rate on the RGL and Hawk instruments in 2017, alongside the injection of equity investment from SEC SpA, Porta was able to pay the interest on the RGL instrument up until March 2018, and hence ensured that the only increase in debt would be through the unwinding of the Hawk Deep Discount Bond ("DDB").

As expected, the restructuring of the UK businesses was capital intensive, and whilst structurally the subsidiaries are now better placed to operate, the operations undertaken over the last 18 months resulted in an operating cash outflow for the UK, which when coupled with the financing activities at the holding company level, has made a significant contribution to an overall cash reduction in the Group during the year.

In June 2018, Porta ceased payment of the interest on the RGL instrument, and as such started to incur penalty interest on the capital and unpaid interest, resulting in a debt increase of £0.6m. Combined with the £0.3m of accrued interest on the DDB, accounted for an increase of £0.9m of the debt balance, which was marginally offset by decreases in finance lease obligations and the RCF, part of which was re-paid.

The increase in debt outstanding and reduction in cash and cash equivalents, caused a negative net debt impact of £1.6m. From a total capital perspective, the movement in retained earnings in the year has resulted in an 89% reduction of equity, which when taken in conjunction with the net debt movement, has caused the Group's gearing ratio to increase from 63% in 2017 to 95% at the end of 2018, being an overall increase of 32 percentage points.

Whilst the Group is now more streamlined, the condition of the Statement of Financial Position cannot be ignored, and now that the operational structure has been broadly addressed, it is the immediate focus of management to resolve the Group's capital structure.

POST BALANCE SHEET EVENTS

As noted in the Directors' Report and note 28 to the Financial Statements, on 10 April the Company successfully refinanced the 2017 Retro Grand loan, with the lender agreeing to write off £0.5m of incurred Default interest, which will result in a £0.3m write back in 2019's Financial Statements for that interest incurred and recognised in 2018.

Furthermore, on 10 April the Company also entered into a convertible loan facility with SEC for a principal amount of £1.0m (further details of which can be seen in note 28). Draw down of the convertible loan facility is conditional upon receipt of shareholder approval. In addition, on 10 April the Company entered into a loan agreement with Hawk Investment Holdings ("Hawk") pursuant to which Hawk has agreed to provide the Company with a facility for £1.0m in the event that the convertible loan facility with SEC lapses as a result of the shareholder approval not being received (further details of which can be seen in note 28). These funds will continue to support the Group's working capital needs as it trades out of the 2018 restructuring in the UK, whilst also evaluating the all-share merger referred to in the Directors' Report.

CONCLUSION

Whilst both gross profit and EBITDA (adjusted and reported) performance are down on prior year, the Group is now far better positioned to deliver operationally and financially.

The funding secured on 10 April will continue to support the Group's working capital needs whilst in the medium term not increasing the Group's debt through the convertible element. Alongside performance, our focus remains the Group's capital structure and issues surrounding it, to provide a solution that works for all stakeholders.

Our focus remains the Group's capital structure and issues surrounding it to provide a solution that works for all stakeholders.

We are confident that the Group is now in a much stronger position to improve performance going forward than it has ever been before.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various risks which may affect its performance. The Group's management team performs regular exercises to identify and evaluate new risks facing the business as well as reviewing the appropriateness and progress of previously identified risks. The process is designed to manage these risks and ensure all necessary steps taken to mitigate them are considered and undertaken in 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 in the future. 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.

The scale overleaf has been used to indicate the estimated level associated with each specific risk:

LOW 1 | 2 | 3 | 4 | HIGH 5

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Acquisitions and disposals (strategic risk)			
2	The Group acquires companies which are not complementary and/or result in a negative impact to the Group once integrated. Companies are disposed of leaving the Group exposed to gaps in its service offering.	• Reputational damage • Negatively affect Group financial performance • Require additional support and funding • Unable to raise sufficient funds for further acquisitions • Lose clients and negative impact on revenue	• The Group's revised focus is on organic growth rather than acquisitive growth • Where a new service of integrated offering is required, the relevant company would look to hire key staff rather than acquire a company • If the Group were to consider an acquisition, rigorous internal and external due diligence would be carried out to identify potential risks • Only non-core or risk exposed companies would be considered for sale, and only done so after careful analysis as to the impact of divestment • During 2018, the Group acquired further interests in Redleaf, Newgate Australia, Newgate Hong Kong and Newgate Singapore, all of which were already subsidiary companies. These were contractual purchases per original shareholder agreements and were satisfied through the issue of Porta shares and cash
Management of growth (strategic risk)			
3	The Group is unable to support the growth areas of the business sufficiently, through either lack of funds, resources or focus.	• Hiring decisions that lead to the recruitment of staff misaligned with strategy or ahead of revenue • Staff leave through lack of support and/or resources • Incur unnecessary costs • Required systems and processes aren't in place leading to inefficiencies and inaccurate information reported to management	• Processes and systems in place to help identify need and fulfilment of resource • The production and monitoring of budgets against performance and hiring plans • Targeted and specific staff training • Systems implemented to support staff in maintaining visibility on key metrics • Company and Group KPIs monitored by Executive Directors on a weekly basis

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New markets and channels of service offering (strategic risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
3	New market and/or channel of service offering isn't sufficiently understood or researched prior to entry. Achieving lower than expected revenues and/or higher costs and resource requirements when setting up new operations. A new offering doesn't gain sufficient traction, is loss making or not complementary to other Group services.	• Negatively affects Group profitability and cash flows • Negative impact on integrated offering • Reputational and brand damage	• Fully research and market test any new services before formally launching • The Board pursues a strategy of organic growth in existing companies • Any entry into a new market would be with the support of local expertise • Use of qualified and experienced advisers where necessary • Continuously assess performance in new markets and the related opportunities and risks

Future funding and existing debt (strategic risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
4	The Group net debt position increases at a rate in excess of the Group's performance.	• Unattractive for subordinated debt or equity funding • Creates a problematic platform from which to grow • Working capital diverted to interest payments	• Executive Directors closely monitor the net debt position and continue to negotiate with lenders • Closely managing costs to de-risk the Group creating a more manageable platform from which to drive profitability • Improvement of the internal structure and strategic direction of the business to make it more investable • Where further financing is required, the Board looks to achieve this in a manner that is best suited to the Group and shareholders

Restructuring activities (strategic risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
3	Business units, teams or individuals deemed to not be adequately supporting their cost base are exited from the business without sufficient analysis being undertaken.	• Incorrect decisions are made in the restructuring process causing a negative impact on revenues and/or staff morale, as well as incurring unnecessary additional costs	• The Group performs ongoing detailed analysis of companies, business units and individuals' performance against approved budgets and KPIs • Any restructurings undertaken are signed off by the Group and/or company Boards after detailed discussions and presentation of analysis • Group seeks to remain fair towards all members of staff affected by the changes through transparent and regular consultation

Global economic trends and political instability (economic risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
4	Local and political landscape causes a slowdown in client spending. In 2019 particularly, Brexit in the UK and state and federal elections in Australia, could contribute to significant uncertainty in key markets for the Group.	• A reduction in new client mandates • Resource heavy procurement processes • Margin pressure • Regulatory changes • New tax and other legislation • Fall in market confidence	• The Group disperses its risk and reliance on any particular economic environment through a wide and diverse client base in both industry and geography • Significant political events have been factored into 2019 budgets and company strategies have been re-focussed as a result • The Group and subsidiary Boards monitor new business wins/losses and track committed fees and new business pipeline against budgets on a weekly basis and manage expenditure accordingly

Client dependency (economic risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
2	That the Group, or any subsidiary, is overly dependent upon fees from a single client.	• Loss of a client materially impacts overall profitability • Company becomes too focussed or specialised in a single industry • The client monopolises company resources	• The Group performs weekly reviews of new business wins/losses across all Group companies which highlights any client dependencies • Systems have been put in place to enable staff to monitor profitability, servicing and staffing of clients • Continued diversification of industry expertise across the Group resulting in specialisms but no reliance on a single sector • No single client represents more than 5% of the Group's total Gross Profit

Attraction and retention of key employees (operational risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
3	The key to a Group of communications, marketing and advertising businesses is its employees. An inability to successfully attract and/or retain key staff is therefore fundamental to the Group's longevity.	• High staff turnover impacting client service • Additional unplanned cost and time incurred to replace staff • Competitors benefit through staff moving • Loss of key staff-client relationships and resulting impact on revenue • Loss of key skills, knowledge and expertise	• Recruit senior management and staff of the highest quality through a robust and thorough process, and remunerate them accordingly • Create a "destination firm" with city central work spaces • Create an ethos of being "proud to work for" the Group • Promotion opportunities and long term career plans are available • Continued review of all employment benefits and training needs • Mental and physical health is taken seriously, with appropriate resources and processes in place to monitor and address any issues accordingly

Working capital (operational risk)

	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
4	Poor or delayed cash collections from clients. Rapid organic growth leading to tying up of working capital.	• Reduced liquidity • Working capital shortfalls in the short-term • Difficulty in maintaining supplier terms • Breach bank covenants	• Ensuring strict credit terms as part of contract negotiations and agreeing advanced billing terms whenever possible • Strong credit control processes are in place with dedicated credit controllers • The Group monitors and manages cash flow on a daily basis, with 13-week rolling forecast performed at a detailed subsidiary level and submitted on a weekly basis. Where potential shortfalls are identified, the Group will work with the relevant finance team to help ensure sufficient funds are available

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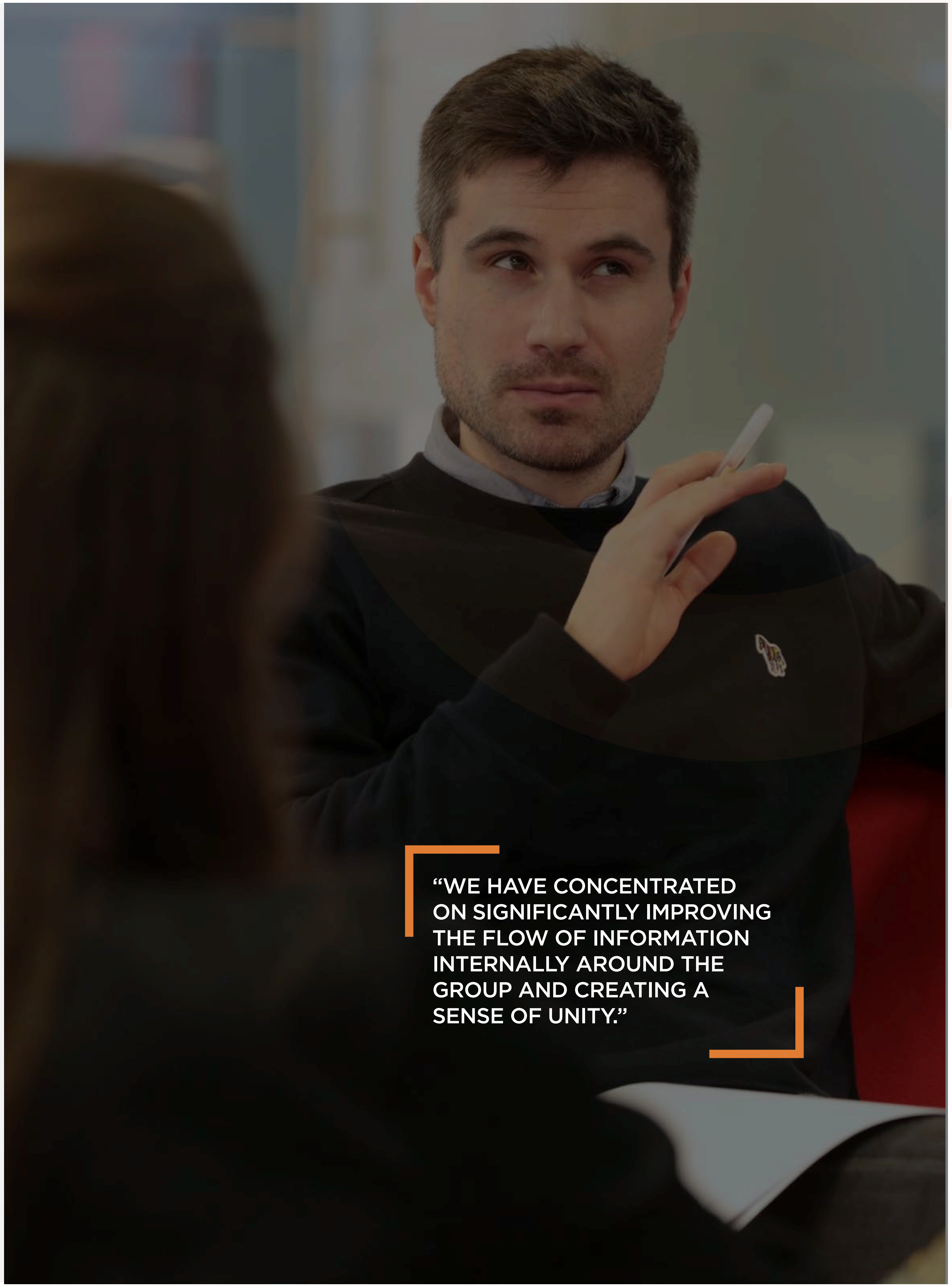
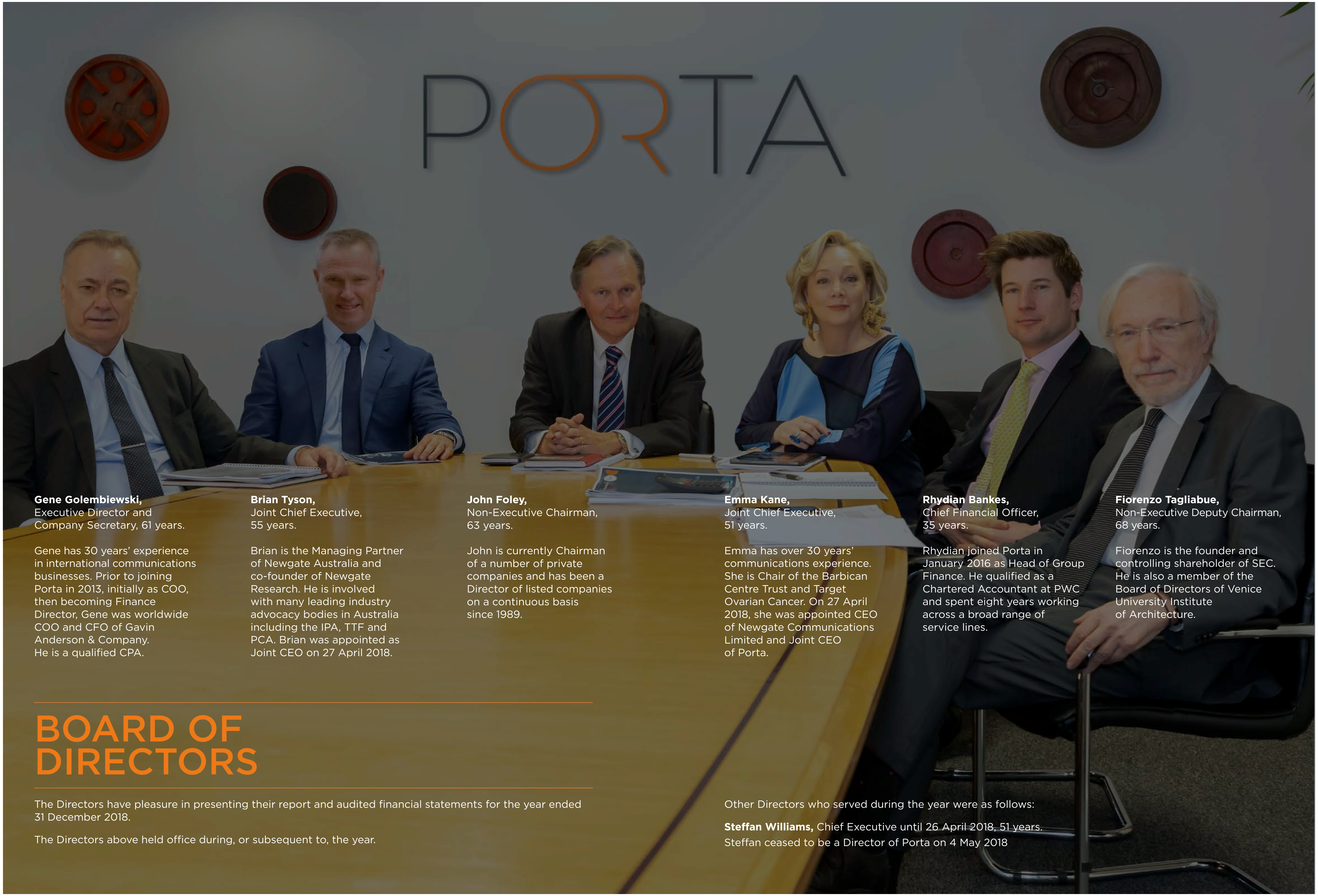
	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Information systems (IT) and data security (operational and business risks)			
3	The Group's business operations, like most other businesses, are highly dependent upon IT. Therefore, any IT failure could present a considerable risk. Access to confidential information due to inadequate security of data by unauthorised persons either internally or externally.	• Delays to client work and compromise to client relationships • Opportunity for potential fraud • Data loss • Confidentiality breaches	• Both in-house and third party IT specialists maintain Group IT systems • Business and IT disaster recovery plans exist in each company and are tested frequently to minimise any disruption in the event of an IT failure • Anti-malware and other IT security software is used to prevent cyber attacks and computer viruses. This software is constantly updated and tested • Staff training provided and IT updates communicated to staff • Access to data is restricted internally on a person by person basis as appropriate
Failure to maintain an acceptable standard of business ethics (business risk)			
2	The Group engaging in actual or perceived unethical client work. Staff violating the Group's Code of Business Conduct and Ethics.	• External reputational damage which could affect future and existing client relationships • Staff dissatisfaction if clients' work is not aligned with their personal ethics	• New business opportunities are shared with all, creating a culture of openness and transparency, and reviewed by our Ethics Committee which helps identify potential ethical conflicts • Code of Business Conduct and Ethics is incorporated into our staff hand book and is communicated to all employees, in addition to having appropriate training programmes in place • Confidential communication channels to management or Group HR are in place to support staff reporting violations • Any perception or questions over ethical standards in relation to potential client work or behaviour is immediately raised to the relevant company Board, and if deemed relevant, the Group Board
Legal and regulatory compliance (compliance risk)			
2	The risk of breaching a UK or international law, AIM listing rule or any regulatory rules to which the Group, or any of its subsidiaries, must adhere to.	• Penalties and fines • Reputational damage which could lead to client and/or staff losses	• External legal counsel in each country is sought as necessary • A Porta staff hand book and share dealing code is in place and is communicated to all staff • Regular staff training is provided • Nominated advisors are consulted with respect to any actions taken which are regulated by the AIM listing rules

FINANCIAL RISK MANAGEMENT

Details of the Group's approach to financial risk management are disclosed in detail in note 8 to the financial statements.





BOARD OF DIRECTORS

Gene Golembiewski,
Executive Director and Company Secretary, 61 years.

Gene has 30 years' experience in international communications businesses. Prior to joining Porta in 2013, initially as COO, then becoming Finance Director, Gene was worldwide COO and CFO of Gavin Anderson & Company. He is a qualified CPA.

Brian Tyson,
Joint Chief Executive, 55 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 Joint CEO on 27 April 2018.

John Foley,
Non-Executive Chairman, 63 years.

John is currently Chairman of a number of private companies and has been a Director of listed companies on a continuous basis since 1989.

Emma Kane,
Joint Chief Executive, 51 years.

Emma has over 30 years' communications experience. She is Chair of the Barbican Centre Trust and Target Ovarian Cancer. On 27 April 2018, she was appointed CEO of Newgate Communications Limited and Joint CEO of Porta.

Rhydian Bankes,
Chief Financial Officer, 35 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.

Fiorenzo Tagliabue,
Non-Executive Deputy Chairman, 68 years.

Fiorenzo is the founder and controlling shareholder of SEC. He is also a member of the Board of Directors of Venice University Institute of Architecture.

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2018.

The Directors above held office during, or subsequent to, the year.

Other Directors who served during the year were as follows:

Steffan Williams, Chief Executive until 26 April 2018, 51 years.
Steffan ceased to be a Director of Porta on 4 May 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

The Board has a responsibility to ensure that good standards of corporate governance are embraced throughout the Group. As a Board, we set clear expectations concerning the Group's culture, values and behaviours. We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably and responsibly, drive our premium, client-focussed, people-led strategy and deliver value for our shareholders.

It is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

THE QCA CODE

The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules.

In September 2018, the Company adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM quoted companies to adopt and comply with a recognised corporate governance code and detail how it complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so.

OUR STRATEGY AND BUSINESS MODEL

This can be found within the Chairman's and Joint CEOs' statements of these accounts.

EFFECTIVE RISK MANAGEMENT

The Group's risk management process is detailed on page 28 in the principal risks and uncertainties report.

INDEPENDENCE OF DIRECTORS

The Board is currently comprised of an Independent Non-Executive Chairman, a Non-Executive Deputy Chairman, two joint Chief Executive Officers and two Executive Directors.

At present, the Company has only one Independent Non-Executive Director, John Foley. Fiorenzo Tagliabue, who serves as Deputy Chairman, is founder and controlling shareholder of SEC, a significant shareholder of the Company. As such, the Company is looking to appoint a further Independent Non-Executive Director to the Board.

TIME COMMITMENTS

The Non-Executive Directors are expected to have a time commitment to the Company of no less than three days per month. All current Executive Directors work full-time.

REMUNERATION AND NOMINATION COMMITTEE

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. The committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme. Further details can be found in the report of the Remuneration and Nomination Committee on page 44.

AUDIT COMMITTEE

The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors.

The committee also reviews the independence and objectivity of the auditors. The terms of reference of the committee reflect current best practice, including authority to:

- recommend the appointment, re-appointment and removal of the external auditor;
- ensure the objectivity and independence of the auditors including occasions when non-audit services are provided; and
- ensure appropriate 'whistle-blowing' arrangements are in place.

The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. The committee also reviews compliance with best practice for corporate governance.

Grant Thornton UK LLP are the Company's auditors, and have been since 2016. The lead audit engagement partner is Chris Frostwick and he was appointed in February 2019. All fees payable to Grant Thornton UK LLP can be found in note 4 of the Annual Report.

No significant issues arose or required further action at either of the audit committee meetings during the year.

A separate Audit Committee report has not been published. The Board feels that this is appropriate given the size and stage of development of the Company and due to there being no significant issues to report. Similarly, the Board does not think a separate internal audit function is necessary.

ATTENDANCE OF MEETINGS

The Board meets 10 times a year, together with further meetings as required. The Audit and Remuneration and Nomination Committees meet as required.

The Directors attended the following meetings during the year:

	Board	Audit	Remuneration and Nomination
John Foley	10/10	2/2	1/1
Fiorenzo Tagliabue	10/10	2/2	1/1
Emma Kane *(appointed 27 April 2018)*	6/6		
Brian Tyson	9/10		
Rhydian Bankes	10/10		
Gene Golembiewski	10/10		
Steffan Williams *(resigned 4 May 2018)*	1/4		

HAVING APPROPRIATE EXPERIENCE, SKILLS AND CAPABILITIES ON THE BOARD

The Board of Directors has a mix of experience, skills and personal qualities that help deliver the strategy of the Company. The Board ensures that between them the Directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets.

Biographical details of each Director can be found on page 34.

Directors are, where necessary, able to obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary. They are given appropriate training and assistance on appointment to the Board and later, if and when required.

The Company has procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

EVALUATING BOARD PERFORMANCE

Given the Company's current size, the Board has not considered it necessary at present to undertake a formal assessment of the Board performance and effectiveness, however the Chairman does informally measure performance. Board effectiveness reviews will be considered annually. >>>

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ETHICAL VALUES & BEHAVIOURS

The Company operates a corporate culture that is based on ethical values and behaviours. It maintains a quality system appropriate to the standards required for a Company of its size.

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 Joint Chief Executives, 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 encouraging 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.

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 to Group HR.

COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Joint Chief Executive Officers along with the Chief Financial Officer attend investor meetings on behalf of the Company. In addition, the Company has designated Gene Golembiewski, Executive Director, as its investor relations contact.

In regard to a general meeting of the Company, once the meeting has concluded the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website.

"IT IS THE BOARD'S JOB TO ENSURE THAT THE GROUP IS MANAGED FOR THE LONG-TERM BENEFIT OF ALL SHAREHOLDERS, WITH EFFECTIVE AND EFFICIENT DECISION-MAKING."

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

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.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report can be found on pages 36 to 38 of this Report and Financial Statements and forms part of this Directors' report and is incorporated into it by cross-reference.

BUSINESS REVIEW AND FUTURE OUTLOOK

A 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 10 to 33.

GOING CONCERN

The Group's forecasts and projections show that the Group should be able to operate within the level of its current and future known financial facilities, 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. See further details in Post Balance Sheet Events below.

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.

POST BALANCE SHEET EVENTS

On 10 April 2019, the Company signed a convertible loan facility with SEC S.p.A ("SEC") (the "SEC Convertible Loan Agreement"), for a principal amount of £1.0m and carrying a 5% coupon. Draw down of the funds is conditional upon the Company receiving the requisite shareholder approval to allot ordinary shares and disapply statutory pre-emption rights from such allotment, sufficient to cover the convertible element of the loan. The resolutions will be proposed to shareholders at the General Meeting to be held at Porta offices on 26 April 2019 (note, this is not the AGM). Further details of the SEC Convertible Loan Agreement and the Notice of General Meeting are contained in the circular to shareholders dated 10 April 2019. Should the resolutions not be passed by shareholders at the General Meeting, the SEC loan will lapse.

On 10 April the Company entered into an agreement with Hawk Investment Holdings ("Hawk") (the "Hawk Facility") pursuant to which Hawk has agreed to provide the Company with a facility for £1.0m in the event that the SEC Convertible Loan Agreement lapses. Draw down of the funds is conditional upon the SEC Convertible Loan Agreement having lapsed as a result of the shareholder resolutions not being passed at the General Meeting to be held on 26 April 2019. The Hawk Facility carries a coupon of 5% and has a term of 364 days.

On 10 April, the Company refinanced the 2017 Retro Grand Limited convertible loan agreement, rolling up accrued standard and additional interest, plus the lender's costs and engagement fee, by way of a new 364-day loan of £5,670,762 carrying an annual coupon of 8.3%. As part of this agreement, Retro Grand have agreed to waive the previously accrued penalty interest of £0.5m, of which £0.3m was incurred in 2018, and as such will be written back in Porta 2019 Annual Report and Accounts.

On 10 April, the Company announced that it has entered into preliminary discussions with SEC to examine the potential of an all-share merger by way of a scheme of arrangement. Given the all-share nature of the proposal and the preliminary stage of the discussions, the structure of the proposal is currently being evaluated by the Board of Porta. The Board of Porta are committed to enhancing shareholder value which includes fully evaluating the proposal from SEC. There can be no certainty that any offer will be made or as to the terms on which any offer might be made. Porta will keep shareholders updated and further announcements will be made in due course. >>>

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FINANCIAL INSTRUMENTS

Details of the use of financial instruments and the Group's approach to financial risk management are disclosed in detail in note 8 to the financial statements.

DIVIDENDS

The Directors do not recommend a dividend for the year ended 31 December 2018 (2017: £nil).

POLITICAL CONTRIBUTIONS

During the year, the Group made no political donations and it incurred no political expenditures (2017: none).

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.

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.

EMPLOYMENT

The Directors view employees as the key asset of the Group. In 2018, the Group's management continued to focus time and resources on the Group's employees, including initiatives on subjects such as wellbeing, engagement and training.

The Group employed an average of 271 people globally (2017: 273) during the year in its continuing operations.

Details concerning employee involvement can be found under the section "Ethical values & behaviours" in the Corporate Governance Report on page 38.

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.

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 lunch hours.

Through our involvement with Heart UK, the Group's charity of choice, cholesterol testing is offered to all employees in its London office every year.

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.

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.

DIRECTORS

The name and biography for each Director have been provided on page 34. This information can also be found on our website (www.portacomms.co.uk).

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.

DIRECTORS' REMUNERATION

The Report of the Remuneration and Nomination Committee is on pages 44 to 45 of this Report and Financial Statements and forms part of this Directors' Report and is incorporated into it by cross-reference.

DIRECTORS' INTERESTS

The Directors who served 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 2018	31 December 2017
Fiorenzo Tagliabue[1]	85,714,286	85,714,286
Emma Kane (appointed 27 April 2018)	22,696,504	–
John Foley	5,665,079	965,079
Brian Tyson	4,534,614	2,446,253
Gene Golembiewski	1,412,230	1,412,230
Rhydian Bankes	125,000	125,000
Steffan Williams (resigned 4 May 2018)	–	–

[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 and Nomination Committee on pages 44 to 45.

There have been no further changes in the interests of the Directors in the shares of the Company between 31 December 2018 and the date of this report.

SUBSTANTIAL SHAREHOLDINGS

As at 11 March 2019, 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	16.92
Hawk Investment Holdings Limited	74,929,077	14.79
Retro Grand	30,262,931	5.97
Hargreave Hale	26,544,254	5.24
Emma Kane	22,696,504	4.48
Fidelity	16,071,539	3.17

[1] Fiorenzo Tagliabue, Non-Executive Deputy Chairman of the Company, is also the CEO and founder of SEC S.p.A.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting 'AGM' will be held at Porta Communications plc at Sky Light City Tower, 50 Basinghall Street, London EC2V 5DE on 29 May 2019 at 2.00 pm. The notice of meeting, which includes explanatory notes and provides full details of the resolutions being proposed at the AGM, is included at the end of this Annual Report on pages 115 to 120.

Gene Golembiewski
Executive Director and Company Secretary

10 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 judgments 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.

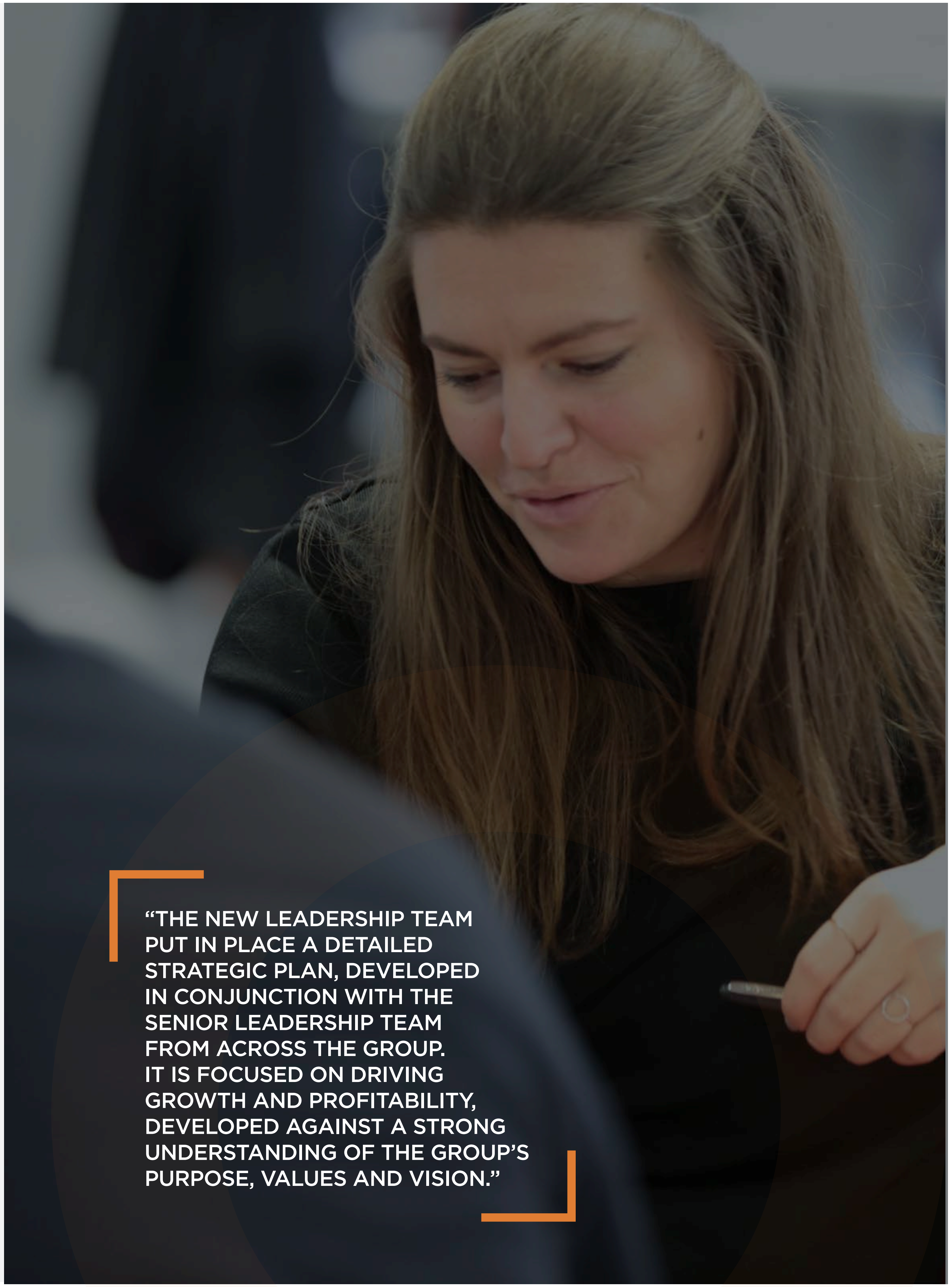
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

The Directors are also responsible for ensuring that they meet their responsibilities under AIM rules.



REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

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 stage of development 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 2018.

DIRECTORS' REMUNERATION (AUDITED)

31 December 2018	Notes	**Fees and salaries £**	**Bonuses £**	**Pension contri-butions £**	**Other benefits (note 4) £**	**Loss of office £**	**Total £**
Executive							
Emma Kane (appointed 27 April 2018)	1	270,000	–	8,100	6,817	–	**284,917**
Brian Tyson	1 & 2	332,270	–	11,380	–	–	**343,650**
Rhydian Bankes		190,000	–	9,500	1,002	–	**200,502**
Gene Golembiewski		250,000	–	15,000	24,298	–	**289,298**
David Wright (resigned 3 May 2017)		–	–	–	–	102,396	**102,396**
Steffan Williams (resigned 4 May 2018)	1	116,667	–	6,667	757	–	**124,091**
Non-Executive							
John Foley		30,000	–	–	–	–	**30,000**
Fiorenzo Tagliabue	3	–	–	–	–	–	**–**
		1,188,937	**–**	**50,647**	**32,874**	**102,396**	**1,374,854**

Payments for loss of office comprises of the following:

	Fees and salaries £	**Bonuses £**	**Pension contri-butions £**	**Other benefits (note 4) £**	**Total £**
David Wright (resigned 3 May 2017)	86,218	–	10,622	5,556	**102,396**

1. Remunerated through a wholly owned subsidiary.
2. Remunerated in Australian dollars, figures above have been translated into GBP at the 2018 year to date average exchange rate.
3. No remuneration was paid in the year with respect to services as a Group Director. Other related party transactions are detailed in note 26.
4. Other benefits comprise of payments in respect of healthcare, life insurance and other similar benefits.

In addition to the remuneration disclosed above, amounts in relation to share options held by Directors during the year were credited to the Statement of Comprehensive Income totalling £120,951 (2017: £105,224 charged). As at 31 December 2018, Gene Golembiewski held 3,978,481 options; no other Director holds any share options at the year end. Further information in relation to share based payments is disclosed in note 22 to the financial statements. All Directors' remuneration in the year is accounted for within continuing operations.

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.

On behalf of the Board

John Foley
Chairman of the Remuneration and Nomination Committee

10 April 2019

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 2018 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 and parent company 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 2018 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.

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:

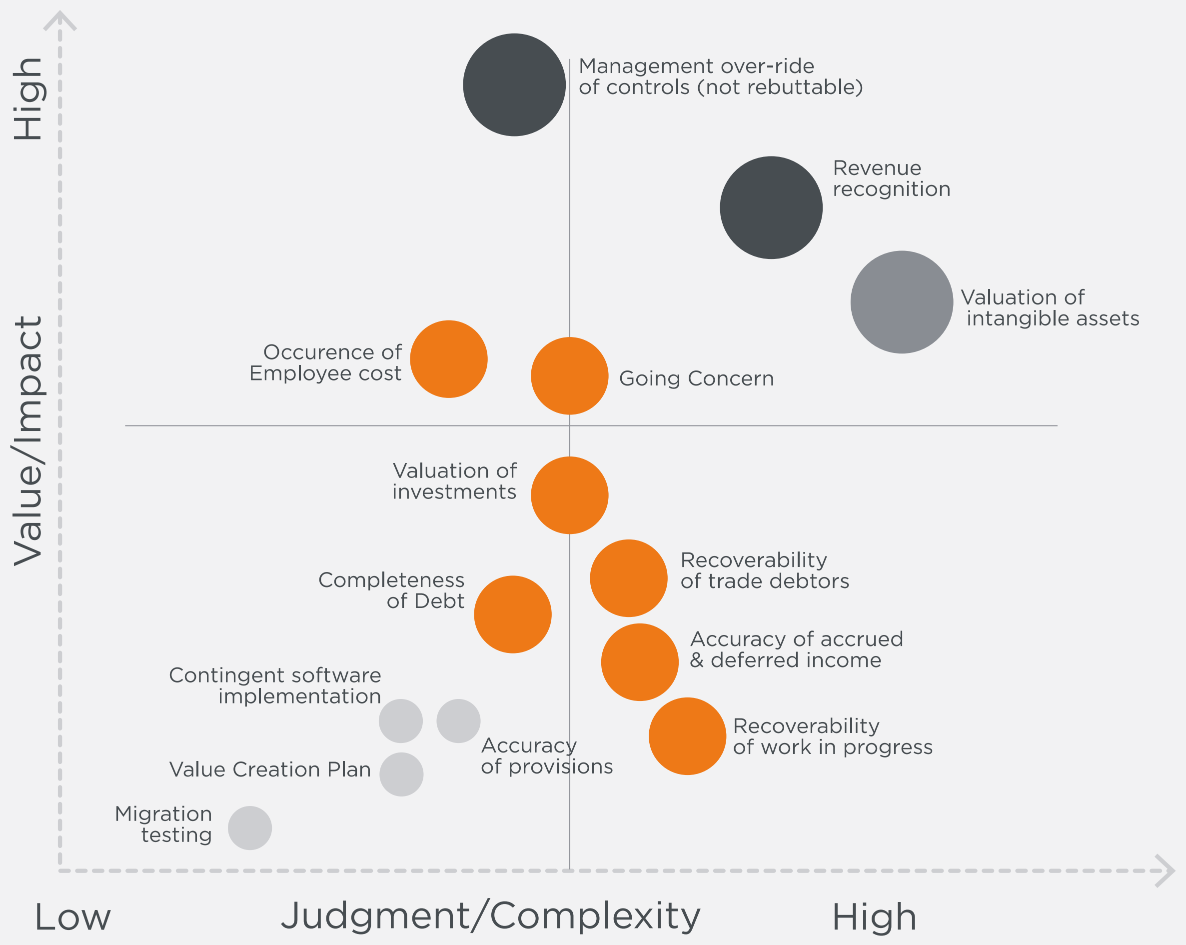
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's 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: £358,500, 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 the 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 judgment.



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. >>>

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KEY AUDIT MATTER – GROUP	HOW THE MATTER WAS ADDRESSED IN THE AUDIT – GROUP	KEY OBSERVATIONS
Valuation of intangible assets The value of intangible assets at year-end is £8.2m (2017: £10.8m) and includes: Goodwill £6.81m (2017: £6.76m) Customer relationships £0.97m (2017: £2.52m) Brands £0.21m (2017: £1.24m) Websites, software and licences £0.19m (2017: £0.25m) An impairment assessment of goodwill is required on an annual basis and in the case of some intangibles, a review is required if there are impairment indicators. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 Impairment of Assets is complex. Assumptions involved in forecasting and discounting future cash flows associated with such impairment assessments can be highly judgmental and can significantly impact the results of the impairment review. 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: • assessment of management's consideration of the carrying value of intangibles including challenging underlying assumptions particularly around discount rates and forecast cash flows and using the work of our internal valuation experts to assess the appropriateness of these assumptions in the context of the business and the requirements of IAS36; • assess the value-in-use calculations provided by management for their accuracy and appropriateness; • challenge the assumptions by comparing to historical data and other external sources of information to assess the outcome of previous estimates; • ensure that disclosures included within the annual report regarding management's assessment of the carrying value of goodwill and other intangible assets meets the requirements of IAS36. The group's accounting policy on the recoverability of intangible assets is shown in note 1(i) to the financial statements and related disclosures are included in note 15.	Based on our audit work, we found that management's impairment assessment including the cash flow forecast and underlying assumptions are balanced and consistent. We consider that the group's disclosures on page 65 (note 1 (i)) appropriately describe the significant degree of inherent imprecision in the assumptions and estimates and the potential impact on future periods of revisions to these estimates. We found no arithmetic errors in calculations or forecasts.

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	£358,500 which is 1% (2017: £410,000, 1%) of group revenue. 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 subject to significant year on year fluctuations), revenue is a key management measure. This approach is consistent with the prior year. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 based on decreased revenues for the group.	£254,000 which is 1% (2017: £291,000, 1%) of total assets but restricted to reduce it to be below group performance materiality. 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, minimal transactions go through the income statement. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 based on decreased level of total assets.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% 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	£17,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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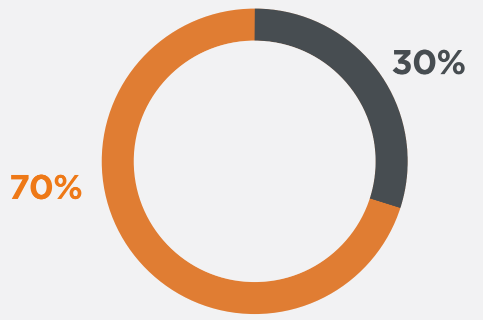
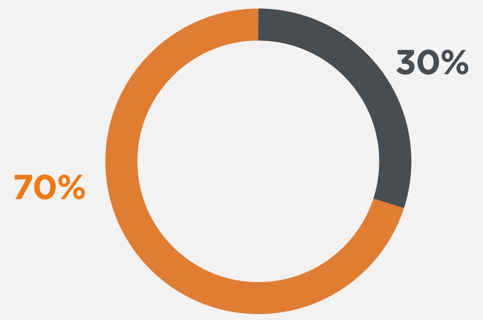
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY – GROUP



OVERALL MATERIALITY – PARENT



● Tolerance for potential uncorrected mis-statements ● Performance materiality

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 85%;
- the total percentage coverage of full-scope procedures over the group's total assets was 77%.

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 – 45, 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.

MATTER 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 42, 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.

USE OF OUR REPORT

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

Christopher Frostwick

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Milton Keynes
10 April 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Continuing operations			
Revenue	2,3	**35,853,310**	40,281,716
Cost of sales		**(4,676,749)**	(6,073,588)
Gross profit		**31,176,561**	34,208,128
Operating and administrative expenses		**(29,072,549)**	(31,390,473)
Impairment loss on trade receivables and contract assets	18	**(233,613)**	–
Adjusted EBITDA		**1,870,399**	2,817,655
Restructuring costs, acquisition costs and share based payments	1	**(1,390,902)**	(631,422)
Impairments	1	**(882,811)**	(511,098)
Loss on sale of fixed assets		**(24,859)**	–
Amortisation and depreciation	4	**(2,448,743)**	(2,326,643)
Operating loss		**(2,876,916)**	(651,508)
Finance expense	6	**(1,248,759)**	(1,547,846)
Finance income	6	**40,394**	8,825
Share of profit in associate	12	**–**	31,544
Impairment of associate		**(18,191)**	(863,812)
Loss before taxation on continuing operations		**(4,103,472)**	(3,022,797)
Tax credit/(charge)	7	**171,105**	(1,460,634)
Loss for the year on continuing operations		**(3,932,367)**	(4,483,431)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(4,479,083)**	(5,438,690)
Non-controlling interests		**546,716**	955,259
		(3,932,367)	(4,483,431)
Other comprehensive income from continuing operations			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries		**41,628**	(122,659)
Total other comprehensive income, net of tax		**41,628**	(122,659)
Total comprehensive income for the year		**(3,890,739)**	(4,606,090)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(4,441,651)**	(5,515,740)
Non-controlling interests		**550,912**	909,650
		(3,890,739)	(4,606,090)
Loss per share – basic and diluted			
On continuing operations	13	**(0.9p)**	(1.4p)

There were no discontinued operations in the year.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 27. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Intangible assets	15	**8,188,863**	10,766,349
Property, plant and equipment	16	**909,996**	1,074,766
Deferred tax assets	7	**623,953**	621,234
Other non-current assets	18	**1,038,783**	923,775
Other investments		**8,500**	8,500
Total non-current assets		**10,770,095**	13,394,624
Current assets			
Work in progress		**–**	792,144
Contract assets	3	**728,988**	–
Contract cost assets	3	**305,587**	–
Trade and other receivables	18	**6,172,306**	8,680,195
Cash and cash equivalents	8	**2,590,111**	3,530,007
Total current assets		**9,796,992**	13,002,346
Current liabilities			
Trade and other payables	19	**(5,349,693)**	(6,839,696)
Contract liabilities	3	**(659,244)**	–
Current tax liabilities		**(197,767)**	(335,809)
Provisions	20	**–**	(513,807)
Loans and borrowings	23	**(8,868,959)**	(8,408,231)
Total current liabilities		**(15,075,663)**	(16,097,543)
Net current liabilities		**(5,278,671)**	(3,095,197)
Non-current liabilities			
Trade and other payables	19	**(792,681)**	(921,689)
Deferred tax liabilities	7	**(401,016)**	(966,448)
Loans and borrowings	23	**(3,750,557)**	(3,489,030)
Total non-current liabilities		**(4,944,254)**	(5,377,167)
Net assets		**547,170**	4,922,260
Equity			
Share capital	21	**30,831,164**	30,335,273
Share premium	21	**10,350,497**	9,640,914
Retained losses		**(41,658,899)**	(36,693,569)
Translation reserve		**123,705**	86,273
Other reserves		**494,573**	684,430
Total equity shareholders' funds		**141,040**	4,053,321
Non-controlling interests		**406,130**	868,939
Total equity		**547,170**	4,922,260

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2019.

Emma Kane
Rhydian Bankes
Directors
Porta Communications Plc (company registration number: 05353387)

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 27. The accompanying notes are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Intangible assets	15	**170,038**	220,086
Property, plant and equipment	16	**217,444**	360,931
Deferred tax assets	7	**8,587**	203,634
Investment in subsidiaries	17	**15,130,339**	14,096,707
Other non-current assets	18	**923,775**	923,775
Trade and other receivables due from related parties	26	**9,713,631**	11,288,067
Total non-current assets		**26,163,814**	27,093,200
Current assets			
Trade and other receivables	18	**191,071**	540,581
Cash and cash equivalents	8	**367,881**	1,525,873
Total current assets		**558,952**	2,066,454
Current liabilities			
Trade and other payables	19	**(1,513,384)**	(1,287,425)
Loans and borrowings	23	**(8,847,576)**	(8,375,257)
Total current liabilities		**(10,360,960)**	(9,662,682)
Net current liabilities		**(9,802,008)**	(7,596,228)
Non-current liabilities			
Trade and other payables	19	**(593,633)**	(921,689)
Deferred tax liabilities	7	**(14,668)**	(36,986)
Loans and borrowings	23	**(3,750,557)**	(3,489,030)
Trade and other payables due to related parties	26	**(627,837)**	(2,506,230)
Total non-current liabilities		**(4,986,695)**	(6,953,935)
Net assets		**11,375,111**	12,543,037
Equity			
Share capital	21	**30,831,164**	30,335,273
Share premium	21	**10,350,497**	9,640,914
Retained losses		**(30,301,123)**	(28,198,926)
Other reserves		**494,573**	765,776
Total equity shareholders' funds		**11,375,111**	12,543,037

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 £2,233,250 (2017: £4,490,656).

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2019.

Emma Kane
Rhydian Bankes
Directors
Porta Communications Plc (company registration number: 05353387)

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 27. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flow from operating activities			
Loss before taxation on continuing activities		**(4,103,472)**	(3,022,797)
Adjusted for:			
Depreciation and amortisation	4	**2,448,743**	2,326,643
Impairment of goodwill and other intangibles	15	**842,811**	488,227
Impairment of associate	12	**18,191**	863,812
Loss on disposal of property, plant and equipment		**24,857**	–
Share of profit in associates	12	**–**	(31,544)
Profit on disposal of associates		**–**	(11,000)
Finance expense	6	**1,248,759**	1,547,846
Finance income	6	**(40,394)**	(8,825)
Unrealised foreign exchange gain		**–**	(69,952)
Equity settled share based payments	22	**(117,731)**	120,736
Non-cash rents received		**(273,000)**	(252,000)
Provisions utilised		**–**	(212,498)
Revaluation of the Redleaf Polhill contingent consideration		**–**	(28,296)
Changes in working capital:			
Decrease in work in progress		**–**	529,441
Decrease in contract assets		**535,741**	–
Increase in contract cost assets		**(50,966)**	–
Decrease/(Increase) in trade and other receivables		**1,399,021**	(1,146,693)
Decrease in trade and other payables		**(719,468)**	(1,381,444)
Decrease in contract liabilities		**(15,064)**	–
Tax paid		**(533,214)**	(858,634)
Net cash inflow/(outflow) from operating activities		**664,814**	(1,146,978)
Cash flows from investing activities			
Acquisition of intangible assets		**(63,126)**	(140,378)
Acquisition of property, plant and equipment		**(402,156)**	(396,849)
Acquisition of subsidiaries, net of cash acquired		**(529,543)**	(425,017)
Proceeds from sale of associates		**–**	11,000
Net cash outflow from investing activities		**(994,825)**	(951,244)
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)		**–**	2,978,000
Proceeds from loans and borrowings		**800,000**	3,093,484
Repayment of loans and borrowings		**(892,541)**	(100,000)
Payment of transaction costs relating to loans and borrowings		**–**	(305,988)
Repayment of leases		**(127,198)**	(129,240)
Dividends paid to non-controlling interests		**(166,162)**	(1,386,065)
Interest received		**40,394**	8,825
Interest paid		**(274,873)**	(360,683)
Net cash (absorbed)/generated from financing activities		**(620,380)**	3,798,333
Net cash (decrease)/increase in cash and cash equivalents		**(950,391)**	1,700,111
Cash and cash equivalents at 1 January		**3,530,007**	1,854,553
Effect of exchange rate changes		**10,495**	(24,657)
Cash and cash equivalents at 31 December		**2,590,111**	3,530,007

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 27. The accompanying notes are an integral part of these consolidated financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flow from operating activities			
Loss before taxation on continuing activities		**(2,060,521)**	(3,296,446)
Adjusted for:			
Depreciation and amortisation		**273,985**	233,863
Impairment of subsidiaries	17	**–**	349,999
Impairment of associate	12	**18,191**	863,811
Loss on disposal of property, plant and equipment		**2,686**	–
Finance expense		**1,145,307**	1,294,105
Finance income		**(6,881)**	(2,454)
Foreign exchange loss		**50,192**	17,926
Intercompany interest charge		**(13,861)**	81,264
Equity settled share based payments		**(120,581)**	106,174
Non-cash rents received		**(273,000)**	(252,000)
Provisions utilised		**–**	(71,902)
Changes in working capital:			
Decrease in trade and other receivables		**349,510**	660,246
Increase in amounts receivable from subsidiary companies		**(31,586)**	(3,270,303)
Increase in trade and other payables		**139,355**	2,122,980
Net cash outflow from operating activities		**(527,204)**	(1,162,737)
Cash flows from investing activities			
Acquisition of intangible assets		**(56,331)**	(115,725)
Acquisition of property, plant and equipment		**(4,832)**	(6,903)
Acquisition of subsidiaries, net of cash acquired		**(529,300)**	(425,017)
Dividends received from subsidiary companies		**390,072**	892,818
Net cash (outflow)/inflow from investing activities		**(200,391)**	345,173
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)		**–**	2,978,000
Proceeds from loans and borrowings		**800,000**	–
Repayment of loans and borrowings		**(892,541)**	(100,000)
Payment of transaction costs relating to loans and borrowings		**–**	(233,137)
Repayment of leases		**(114,409)**	(121,116)
Interest received		**6,881**	2,454
Interest paid		**(230,328)**	(284,196)
Net cash (absorbed)/generated from financing activities		**(430,397)**	2,242,005
Net cash (decrease)/increase in cash and cash equivalents		**(1,157,992)**	1,424,441
Cash and cash equivalents at 1 January		**1,525,873**	101,432
Cash and cash equivalents at 31 December		**367,881**	1,525,873

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 27. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital £	Share premium £	Retained losses £	Translation reserve £	Other reserves £	Written put/call options over NCI £	Total equity shareholders' funds £	Non-controlling interests £	Total equity £
Balance at 1 January 2018	**30,335,273**	**9,640,914**	**(36,693,569)**	**86,273**	**1,346,014**	**(661,584)**	**4,053,321**	**868,939**	**4,922,260**
Total comprehensive income									
Loss for the year	–	–	(4,479,083)	–	–	–	(4,479,083)	546,716	(3,932,367)
Other comprehensive income	–	–	–	37,432	–	–	37,432	4,196	41,628
Total comprehensive income	**–**	**–**	**(4,479,083)**	**37,432**	**–**	**–**	**(4,441,651)**	**550,912**	**(3,890,739)**
Transactions with owners									
Issue of Ordinary shares in relation to business combinations	456,345	649,868	–	–	–	–	1,106,213	–	1,106,213
Issue of Ordinary shares in settlement of other costs	39,546	59,715	–	–	–	–	99,261	–	99,261
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(460,314)	(460,314)
Share based payments	–	–	–	–	(117,731)	–	(117,731)	–	(117,731)
Transfer between reserves	–	–	15,172	–	(15,172)	–	–	–	–
Acquisition of non-controlling interest without a change in control	–	–	(501,419)	–	(718,538)	661,584	(558,373)	(553,407)	(1,111,780)
Total transactions with owners	**495,891**	**709,583**	**(486,247)**	**–**	**(851,441)**	**661,584**	**529,370**	**(1,013,721)**	**(484,351)**
Balance at 31 December 2018	**30,831,164**	**10,350,497**	**(41,658,899)**	**123,705**	**494,573**	**–**	**141,040**	**406,130**	**547,170**

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 2018

	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 – lapsed options	–	–	142,200	–	(142,200)	–	–	–	–
Transfer between reserves	–	–	(164,045)	–	164,045	–	–	–	–
Acquisition of non-controlling interest without a change in control	–	–	(830,038)	–	(121,150)	546,168	(405,020)	(297,374)	(702,394)
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.

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital £	**Share premium £**	**Retained losses £**	**Other reserves £**	**Total equity share-holders' funds £**
Balance at 1 January 2017	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 – lapsed 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**
Total comprehensive income					
Loss for the year	–	–	(2,233,250)	–	(2,233,250)
Total comprehensive income	**–**	**–**	**(2,233,250)**	**–**	**(2,233,250)**
Issue of Ordinary shares in relation to business combinations	456,345	649,868	–	–	1,106,213
Issue of Ordinary shares in settlement of other costs	39,546	59,715	–	–	99,261
Share based payments	–	–	–	(140,150)	(140,150)
Transfer between reserves	–	–	131,053	(131,053)	–
Total transactions recognised directly in equity	**495,891**	**709,583**	**131,053**	**(271,203)**	**1,065,324**
Balance at 31 December 2018	**30,831,164**	**10,350,497**	**(30,301,123)**	**494,573**	**11,375,111**

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

Notes to the Financial Statements

For the year ended 31 December 2018

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 years presented unless otherwise stated.

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 a measure of the Group's results before start-up losses, acquisition costs, restructuring costs, non-recurring property costs, legal and other consultancy costs, share based payment expense and security impairment. Impairment of goodwill and other intangibles are deducted after EBITDA.

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Impairments:			
Security impairment		**40,000**	22,871
Impairment of goodwill and other intangibles	15	**842,811**	488,227
		882,811	511,098
Restructuring and acquisition costs:			
Reorganisation costs		**1,205,589**	607,367
Non-recurring property costs		**73,078**	–
Legal and other consultancy costs		**229,966**	3,517
Revaluation of contingent consideration		**–**	(28,296)
Provision for vendor loan guarantee		**–**	(71,902)
		1,508,633	510,686
Share based payment expense	22	**(117,731)**	120,736
		1,390,902	631,422

(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, IFRIC Interpretations and 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 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).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

New and amended standards adopted by the Group

The Group has applied the following standards, amendment and interpretation for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers – replacing IAS 18 Revenue Recognition. The Group has amended its accounting policies following the adoption of IFRS 15 and has provided additional disclosures, as required, which can be found in note 3. The impact of adopting IFRS 15 has been further explained in note 27.
- IFRS 9 Financial Instruments – replacing IAS 39 Financial Instruments: Recognition and Measurement. The Group has amended its accounting policies and reclassified financial assets and liabilities following the adoption of IFRS 9. The impact of adopting IFRS 9 has been further explained in note 27.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions – the Group has no cash-settled share based payments nor share-based payment transactions settled net of withholding tax. Therefore, these amendments do not have any impact on the Group's Consolidated financial statements.
- Interpretation 22 Foreign Currency Transactions and Advance consideration – this interpretation does not have a material impact on the Group's Consolidated financial statements.

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

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

Certain new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these Consolidated financial statements. Those which are/may be relevant to the Group and are expected to have a significant effect on the Consolidated financial statements of the Group are set out below.

- IFRS 16 Leases requires that operating leases be capitalised and an asset and a financial liability recognised in respect of those leases.

  As a result of the Group's diverse geographic business portfolio, the Group has a significant number of leases which are currently being assessed individually against the requirements of the standard. Therefore the Group is yet to assess the full impact of IFRS 16 on the Consolidated financial statements, however the Group expects EBITDA to increase since the amortisation of the right-of-use assets and interest on the lease liability are excluded from this metric. Operating cash outflows are expected to decrease, and financing cash outflows increase, since the repayment of the principal portion of lease liabilities will be classified as cash flows from financing activities.

  The standard will be applied from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

(b) Basis of consolidation

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018 and present comparative information for the year ended 31 December 2017.

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, 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 Consolidated Statement of Comprehensive Income; and
- 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 re-measured 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 reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current and future known finance facilities, as detailed further in note 28 subsequent events. Further, 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.

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 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

When the business combination is achieved in stages, any previously held equity interest is re-measured 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 re-measured 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. Where significant risks and rewards of ownership reside with the NCIs, the difference between the financial liability and the NCI balance is debited to controlling interest equity if the liability is greater than the carrying value of the NCI, otherwise the difference is attributed to NCI. Dividends paid to the NCIs that do not reduce the contracted purchase price are deducted from the NCI carrying value. Profits and losses are allocated to NCI to the extent it is necessary to cover the dividend payment so that NCI does not become negative. In those situations, 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 of 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 Consolidated 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 the Consolidated 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 Consolidated 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 2018

(f) Revenue from contracts with customers

The Group has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in note 27.

Revenue is measured based on the consideration specified in a contract with a customer and represents the fees, commissions and disbursements, net of discounts, derived from services provided to a customer.

Where a contract contains an element of variable consideration, on a contract by contract basis, the amount to be included in the transaction price and recognised in revenue is estimated. Variable consideration typically relates to success fees which are awarded upon achievement of certain performance criteria or milestones. Variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

A performance obligation is a distinct service or distinct bundle of services. Many customer contracts include a single performance obligation. However, where a contract has multiple performance obligations, management allocate a proportion of the total transaction price to each obligation. The standalone selling price for each obligation will be determined based on the amount of input expected to be performed to complete each obligation relative to the total expected inputs to satisfy the contract.

Revenue, in relation to each performance obligation, is recognised over time as the services are rendered because there is a continuous transfer of control to the customer. The customer typically controls the work in progress as evidenced by the Group's enforceable right to payment for work completed to date to deliver services that do not have an alternative use to the Group. Revenue is recognised based on the extent of progress towards completion of performance obligations. Progress towards completion is measured using a number of different methods which best depict the transfer of services including recoverable hours performed.

Estimates of revenue and the extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue are reflected in the Consolidated Statement of Comprehensive Income in the period in which the circumstances that give rise to the revision become known by management. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of expenses incurred which 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 accounting policy (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 Consolidated 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 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 Consolidated 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 non-current 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 Consolidated 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 Consolidated Statement of Comprehensive Income.

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

(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 and is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in the profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Consolidated Statement of Comprehensive Income, outside operating profit, and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associates. Where the Group's share of losses equals or exceeds its interest in the entity the Group does not recognise further losses.

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. The impairment of associate is shown on the face of the Consolidated Statement of Comprehensive Income outside operating profit.

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) Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

Financial assets at amortised cost – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Equity investments at FVOCI – these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group made this election for the quoted equity shares held at year end.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables – measured at amortised cost using the effective interest method;
- held to maturity – measured at amortised cost using the effective interest method;
- available for sale – measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss; and
- at fair value through profit or loss – measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 18 for further details.

Previously, up until 31 December 2017, the Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

(m) Contract assets, contract cost assets and contract liabilities

The timing of revenue recognition, invoicing and cash collections result in trade receivables (accounting policy (n)), contract assets and contract liabilities in the Consolidated Statement of Financial Position.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Contract assets, also known as unbilled receivables, relate to the Group's conditional right to consideration for performance completed under a contract. Performance measurement is explained in accounting policy (f). Revenue in respect of this unbilled work is therefore included as a contract asset at the end of the period. The Group's right to consideration is usually conditional upon completion of further performance obligations or the raising of an invoice. The contract assets are transferred to receivables when the right to consideration becomes unconditional.

Contract cost assets comprise of costs incurred to fulfil a contract and costs incurred to obtain a contract. Costs incurred to fulfil a contract are recognised as an asset where the costs relate directly to a contract, are incremental and are expected to be recovered. These costs include outlays incurred on behalf of a customer and are recognised as an asset when the third-party costs are incurred. The asset is amortised when the cost is billed to the customer, consistent with the pattern of the recognition of the associated revenue. A provision is made for irrecoverable costs where it is probable that such costs will not be recovered from future billing.

Contract liabilities consist of income billed in advance of the performance of services and are recognised as revenue as the contract obligations are performed.

Amounts are billed in accordance with agreed-upon contractual terms, either at periodic intervals (e.g. monthly) or upon achievement of contractual milestones. Billing can either occur subsequent to revenue recognition, resulting in contract assets or payments can be received in advance from customers, before revenue is recognised, resulting in contract liabilities. On occasion advanced payments from customers are received upon contract execution and then upon achievement of contractual milestones.

(n) Trade receivables

Trade receivables relate to contracts with customers and are recognised when the right to consideration is unconditional except for the passage of time. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. See accounting policy (l) for details on the impairment methodology. Any change in the provision for impairment of trade receivables and contract assets (see accounting policy (m)) are presented as net impairment losses within operating profit. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

(o) Cash and cash equivalents

In the Consolidated Statement of Cash Flows, 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.

(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. 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 Consolidated 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 re-measured 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 Consolidated 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 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 Consolidated 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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

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 Consolidated 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 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 Consolidated 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. Areas subject to estimation uncertainty and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are combined and discussed below.

- **Impairment of goodwill and other intangible assets**
  The carrying value of goodwill, customer relationships 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 accounting 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

- **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. See notes 17 and 26 for further details.

- **Revenue recognition**
  Where contracts are not complete at the period end, revenue is recognised based on the extent of progress towards completion of performance obligations. Contracts are reviewed on an individual basis with the involvement of the specific staff servicing each contract. The key elements of a contract, along with the number of recoverable hours worked on a contract, are ascertained by discussions with the account manager and by reviewing staff timesheets. See accounting policy (f) for further details.

- **Customer contracts containing variable consideration**
  An estimate of variable consideration is included in the transaction price of a contract and is recognised in revenue. Contracts are reviewed on an individual basis with the involvement of the specific staff servicing each contract. An estimate is calculated based on the likelihood of obtaining the variable consideration taking into account macroeconomic factors, staff experience and the progression of a contract. The estimate will be constrained when it is highly probable that it will be reversed in the future. Therefore, the probability of the occurrence or non-occurrence of a future event is assessed by management periodically. See accounting policy (f) for further details.

- **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 £2,280,000 (2017: £2,200,000) of tax losses carried forward. The Group also has approximately £13,000,000 (2017: £10,900,000) of unrecognised tax losses carried forward. The majority of the unrecognised tax losses relate to Porta, the parent company, which has a history of losses and does not have a policy in place for charging its UK subsidiaries for any losses utilised via group relief.

  If the Group was able to recognise deferred tax assets with respect to all tax losses carried forward, profit and equity would increase by £2,460,000 (2017: £2,098,250). See note 7 for further details.

(y) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (the Group's Joint Chief Executive Officers), who are 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 Joint Chief Executive Officers review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- communications includes public relations, public affairs and research consultancy, and other corporate communication services;
- marketing & advertising includes creative advertising, marketing and corporate branding services; and
- 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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. Adjusted EBITDA is the measure reported to and used by the Joint Chief Executive Officers when assessing performance. All assets and liabilities are allocated to reportable segments. Goodwill is allocated to segments as described in note 15.

31 December 2018	**Communications £**	**Marketing & Advertising £**	**Head Office £**	**Total £**
Total revenue	33,053,531	3,563,006	895,326	**37,511,863**
Less: Inter-segment revenue	(679,603)	(83,624)	(895,326)	**(1,658,553)**
Reportable segment revenue	32,373,928	3,479,382	–	**35,853,310**
Reportable segment gross profit	28,488,321	2,688,240	–	**31,176,561**
Adjusted EBITDA	2,644,394	58,883	(832,878)	**1,870,399**
Depreciation, amortisation and impairments	(2,866,143)	(151,426)	(313,985)	**(3,331,554)**
Operating profit	(1,487,755)	(103,333)	(1,285,828)	**(2,876,916)**
Finance income	33,513	–	6,881	**40,394**
Finance expense	(6,093)	(60,515)	(1,182,151)	**(1,248,759)**
Tax (expense)/credit	310,646	33,188	(172,729)	**171,105**

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
Adjusted EBITDA	4,551,252	390,747	(2,124,344)	2,817,655
Depreciation, amortisation and impairments	(2,390,370)	(190,637)	(256,734)	(2,837,741)
Operating profit	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)

31 December 2018	**Communications £**	**Marketing & Advertising £**	**Head Office £**	**Total £**
Reportable segment assets	16,991,117	1,672,454	1,903,516	**20,567,087**
Capital expenditure	445,549	11,269	83,136	**539,954**
Reportable segment liabilities	(5,026,659)	(336,483)	(14,656,775)	**(20,019,917)**

31 December 2017	Communications £	Marketing & Advertising £	Head Office £	Total £
Reportable segment assets	20,121,204	2,494,876	3,780,890	26,396,970
Capital expenditure	420,567	10,309	17,979	448,855
Reportable segment liabilities	(6,003,475)	(1,360,849)	(14,110,386)	(21,474,710)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Geographical segments

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

31 December 2018	**EMEA[1] £**	**Asia-Pacific £**	**Total £**
Reportable segment revenue	19,184,187	16,669,123	**35,853,310**
Reportable segment gross profit	16,192,406	14,984,155	**31,176,561**
Adjusted EBITDA	135,551	1,734,848	**1,870,399**
Profit/(Loss) on continuing operations before tax	(5,628,845)	1,525,373	**(4,103,472)**

31 December 2017	EMEA[1] £	Asia-Pacific £	Total £
Reportable segment revenue	23,218,054	17,063,662	40,281,716
Reportable segment gross profit	18,863,864	15,344,264	34,208,128
Adjusted EBITDA	328,683	2,488,972	2,817,655
Profit/(Loss) on continuing operations before tax	(5,443,101)	2,420,304	(3,022,797)

[1] The EMEA region includes the UK, in prior years this was separately reported.

The split of client based revenue as a percentage of Group revenue for the year was as follows:

Client based revenue	**2018**	2017
United Kingdom	**47%**	55%
Australia	**35%**	36%
Hong Kong and Greater China	**6%**	2%
Singapore	**5%**	3%
Rest of Europe	**3%**	2%
Middle East	**2%**	0%
USA	**1%**	1%
Other	**1%**	1%

No individual client sales were greater than 10% of Group revenue (2017: None).

31 December 2018	**EMEA[1] £**	**Asia-Pacific £**	**Total £**
Non-current assets	8,852,343	1,917,752	**10,770,095**
Current assets	4,877,167	4,919,825	**9,796,992**
Current liabilities	(12,795,570)	(2,280,093)	**(15,075,663)**
Non-current liabilities	(4,584,766)	(359,488)	**(4,944,254)**
	(3,650,826)	**4,197,996**	**547,170**

31 December 2017	EMEA[1] £	Asia-Pacific £	Total £
Non-current assets	11,765,978	1,628,646	13,394,624
Current assets	8,278,708	4,723,638	13,002,346
Current liabilities	(13,331,153)	(2,766,390)	(16,097,543)
Non-current liabilities	(5,197,356)	(179,811)	(5,377,167)
	1,516,177	3,406,083	4,922,260

[1] The EMEA region includes the UK, in prior years this was separately reported.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

3. Revenue from contracts with customers

The Group has initially applied IFRS 15 at 1 January 2018 using the cumulative effect method, under which comparative information is not restated. The Group has therefore not presented the below disclosures for 31 December 2017. The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 27.

(a) Disaggregation of revenue from contracts with customers

The Group generates revenue from the transfer of services by the following contract types and in the following geographic regions:

31 December 2018	Communications £	Marketing & Advertising £	Total £
Type of contract			
Project revenue	15,631,146	2,727,344	**18,358,490**
Retainer revenue	12,240,817	644,856	**12,885,673**
Recharged costs	4,499,273	106,182	**4,605,455**
Other revenue	2,692	1,000	**3,692**
	32,373,928	**3,479,382**	**35,853,310**

31 December 2018	Communications £	Marketing & Advertising £	Total £
Primary geographical market			
United Kingdom	13,943,453	3,350,194	**17,293,647**
Australia	12,404,293	–	**12,404,293**
Hong Kong and Greater China	2,173,396	31,939	**2,205,335**
Singapore	1,725,017	–	**1,725,017**
Rest of Europe	940,787	44,556	**985,343**
Middle East	607,516	–	**607,516**
USA	376,933	46,859	**423,792**
Other	202,533	5,834	**208,367**
	32,373,928	**3,479,382**	**35,853,310**

The Group disaggregates revenue from contracts with customers by contract type and primary geographical market for each of its reporting segments as the Group believes it best depicts how the nature, amount and uncertainty of its revenue and cash flows are affected by economic factors.

Retainer based contracts relate to the provision of on-going services in line with the scope of work stated in the contract and are billed periodically. There is an agreed periodic transaction price stated in the contract which is billed irrespective of the hours performed under the contract, providing that the hours performed fall within the scope of work originally agreed. Retainer contracts are typically rolling contracts with a three-month termination period.

Project based contracts relate to specific engagements which typically take less than one year to complete. For existing customers with a retainer contract in place, the provision of services over and above the regular scope of work is also considered to be a project.

The nature of services provided can vary significantly depending on the requirements of the customer. The Group provides a range of communications, marketing and advertising services specialising in corporate and financial communications, consumer PR, investor relations, public affairs, digital services, research and analytics, corporate branding and creative marketing.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

(b) Contract balances

The Group has recognised the following receivables, contract assets and contract liabilities from contracts with customers:

	Notes	31 December 2018 £
Receivables, which are included within 'trade and other receivables'	18	**5,739,632**
Contract assets		**728,988**
Contract liabilities		**659,244**

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Year ended 31 December 2018 £
Revenue recognised in the year:	
that was included in the contract liability balance at the beginning of the year	**662,091**
from performance obligations satisfied in previous periods	**–**

(c) Assets recognised from costs to fulfil and obtain a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil customer contracts, this is presented within contract cost assets in the Consolidated Statement of Financial Position.

	31 December 2018 £
Current asset recognised for costs incurred to fulfil a contract	**305,587**
Contract cost assets	**305,587**

The Group recognises costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable. These typically relate to third party costs incurred on behalf of the customer which are rechargeable to the customer. The asset is amortised when the cost is billed to the customer, consistent with the pattern of the recognition of the associated revenue.

	Year ended 31 December 2018 £
Amortisation and impairment recognised as cost of providing services during the year	**4,309,626**

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining a contract as an expense when incurred as the amortisation of the asset that would have been recognised is one year or less.

(d) Unsatisfied performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less or contracts billed based on time incurred. There were no contracts with customers during the year with an originally expected duration of more than one year.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

4. Expenses – analysis by nature

The operating loss on continuing activities is stated after charging:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Employment costs (see note 5)	**22,963,701**	23,939,661
Auditor's remuneration:		
Fees payable to the Company's auditors for		
– the audit of the Group's consolidated financial statements	**49,400**	45,900
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	**67,000**	74,000
– tax compliance services	**27,000**	32,200
– other non-audit services not covered above	**42,045**	54,083
Legal and other professional consultancy costs	**439,132**	482,119
Operating lease expense	**1,994,118**	1,972,050
Amortisation of acquired intangible assets	**1,725,516**	1,832,625
Amortisation of other intangible assets	**124,698**	92,870
Impairment charges	**882,811**	511,098
Depreciation	**598,529**	401,148
And after crediting:		
Rental income in respect of sub-leases	**312,625**	375,481

The amount shown for fees payable to the Company's auditors for the audit of the Group's consolidated financial statements includes £22,000 (2017: £22,000) in respect of the Company's own audit.

5. Employment benefit expense

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

Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Wages, salaries and non-executive fees	**19,816,184**	20,306,480
Pension costs	**1,008,861**	1,070,160
Share based payments	**(117,731)**	120,736
Social security costs	**1,858,798**	1,991,889
Other employment related welfare costs	**397,589**	450,396
	22,963,701	23,939,661

Wages and salaries above includes termination benefits of £792,652 (2017: £344,429).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Company

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Wages, salaries and non-executive fees	**971,084**	1,079,229
Pension costs	**41,628**	76,656
Share based payments	**(120,581)**	106,174
Social security costs	**120,551**	129,815
Other employment related welfare costs	**45,116**	50,024
	1,057,798	1,441,898

Wages and salaries above includes termination benefits of £112,505 (2017: £223,601).

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

Group

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Sales	**208**	204
Management	**22**	26
Administration	**41**	43
	271	273

Company

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Management	**2**	3
Administration	**8**	9
	10	12

Directors' remuneration

The remuneration of the Directors for the year amounted to £1,374,854 (2017: £1,154,403). The remuneration of the highest paid Director was £343,650 (2017: £372,560). No bonuses were paid to directors for the year ended 31 December 2018 (2017: £nil).

In addition to these amounts, £120,951 was credited to the Consolidated Statement of Comprehensive Income in relation to share options held by Directors during the year (2017: charge of £105,224). The credit in the year is due to the reversal of previously recognised cost through the Statement of Comprehensive Income relating to options forfeited before vesting. Further details of share based payments are given in note 22.

All of the above remuneration is accounted for within continuing operations.

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

Retirement benefits

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

6. Finance expense and finance income

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Interest on financial liabilities measured at amortised cost	1,191,083	1,197,871
Clydesdale arrangement fees and Leumi termination fees	–	305,988
Net foreign exchange loss	57,676	43,987
Finance expense	**1,248,759**	**1,547,846**
Interest income on bank deposits	5,879	8,825
Other interest income	34,515	-
Finance income	**40,394**	**8,825**

7. Income taxes

Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
UK: Current tax charge	(1,223)	(125,522)
UK: Deferred tax credit/(charge)	564,895	(667,470)
Total UK tax credit/(charge)	**563,672**	**(792,992)**
Overseas: Current tax charge	(395,738)	(768,533)
Overseas: Deferred tax credit	3,171	100,891
Total overseas tax charge	**(392,567)**	**(667,642)**
Total income tax credit/(charge) for the year	**171,105**	**(1,460,634)**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2017: 19.25%) for the reasons set out in the following table:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss before taxation on continuing activities	**(4,103,472)**	**(3,022,797)**
Income tax expense computed at the statutory tax rate on loss before taxation on all activities	779,660	581,888
Adjustments in respect of deferred and current income tax of prior years	18,702	(39,413)
Expenses not deductible for tax purposes	(125,713)	(558,237)
Income not chargeable to taxation	907	20,844
Overseas profits taxed at differing rates	(50,383)	(198,231)
Unrecognised tax losses brought forward now utilised	–	42,244
Tax losses not relieved not recognised	(450,640)	(1,251,755)
Change in recognised temporary differences	(9,306)	(20,000)
Changes in tax rate in respect of deferred taxation	7,878	(37,974)
Total tax credit/(charge) for the year	**171,105**	**(1,460,634)**

Unrecognised deferred tax assets

The Group has tax losses of approximately £13,000,000 (2017: £10,900,000) available to be utilised against future taxable profits in their relevant countries of operations.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2018	Assets £	Liabilities £	Net £
Intangible assets	–	(225,904)	**(225,904)**
Fixed assets	23,658	(20,626)	**3,032**
Current assets	–	(154,486)	**(154,486)**
Current liabilities	166,656	–	**166,656**
Tax loss carry-forward	433,639	–	**433,639**
Net tax assets	**623,953**	**(401,016)**	**222,937**

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

31 December 2018	Balance at 1 January 2018 £	Recognised in profit or loss[1] £	Exchange differences £	Balance at 31 December 2018 £
Intangible assets	(723,283)	497,379	–	**(225,904)**
Fixed assets	(61,788)	65,039	(219)	**3,032**
Current assets	(174,152)	12,420	7,246	**(154,486)**
Current liabilities	179,984	(6,386)	(6,942)	**166,656**
Tax loss carry-forward	434,025	(386)	–	**433,639**
Net tax assets	**(345,214)**	**568,066**	**85**	**222,937**

[1] The deferred tax balance relates to continuing operations.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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

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

31 December 2017	Balance at 1 January 2017 £	Recognised in profit or loss[1] £	Exchange differences £	Balance at 31 December 2017 £
Intangible assets	(1,101,239)	377,956	–	(723,283)
Fixed assets	(37,672)	(23,944)	(172)	(61,788)
Current assets	–	(174,152)	–	(174,152)
Current liabilities	77,482	102,502	–	179,984
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.

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2018	**Assets £**	**Liabilities £**	**Net £**
Fixed assets	–	(14,668)	**(14,668)**
Current liabilities	8,587	–	**8,587**
Net tax liabilities	**8,587**	**(14,668)**	**(6,081)**

31 December 2017	Assets £	Liabilities £	Net £
Fixed assets	–	(36,986)	(36,986)
Current liabilities	8,824	–	8,824
Tax loss carry-forward	194,810	–	194,810
Net tax assets	203,634	(36,986)	166,648

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

8. Financial risk management

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

Group

	Notes	**31 December 2018 £**	Restated 31 December 2017 £
Financial assets – designated at fair value through OCI			
Quoted equity shares		**8,500**	8,500
Financial assets – held at amortised cost			
Non-current assets		**1,038,628**	923,775
Contract assets	3	**728,988**	–
Trade receivables	18	**5,739,632**	6,881,200
Other debtors	18	**48,585**	1,202,691
Cash and cash equivalents		**2,590,111**	3,530,007
		10,154,444	12,546,173
Financial liabilities – held at amortised cost			
Trade payables	19	**(1,272,398)**	(1,666,747)
Current and non-current other liabilities		**(3,482,281)**	(3,871,516)
Loans and borrowings	23	**(9,629,516)**	(8,803,777)
Bank overdrafts	23	**(2,990,000)**	(3,093,484)
Financial liabilities – held at fair value through profit or loss			
Provisions	20	**–**	(513,807)
		(17,374,195)	(17,949,331)

Company

	Notes	**31 December 2018 £**	Restated 31 December 2017 £
Financial assets – held at amortised cost			
Non-current assets		**10,637,405**	12,211,842
Trade receivables	18	**14,785**	43,251
Other debtors	18	**20,870**	96,402
Cash and cash equivalents		**367,881**	1,525,873
		11,040,941	13,877,368
Financial liabilities – held at amortised cost			
Trade payables	19	**(430,898)**	(335,056)
Current and non-current other liabilities		**(1,729,117)**	(4,025,634)
Loans and borrowings	23	**(9,608,133)**	(8,770,803)
Bank overdrafts	23	**(2,990,000)**	(3,093,484)
		(14,758,148)	(16,224,977)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

The Group has made an irrevocable election to classify the above quoted equity shares (in Kalina Power Ltd), previously classified as available-for-sale, as financial assets at fair value through other comprehensive income (FVOCI). This investment is not held for trading and changes in the fair value of this equity investment are not indicative of the Group's performance. Therefore, to present the changes in the fair value of the investment in OCI results in more relevant information being provided to users of the accounts. On disposal of this equity investment, any related balance within the FVOCI reserve is reclassified to retained earnings.

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 2018 is not materially different from original cost and hence no OCI movement arises.

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

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 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

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 Group 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 trade receivables.

Management consider all relevant facts and circumstances, including past experiences with a customer or customer class when assessing the credit risk of clients. Customers are also assessed in terms of their size and reputation and where there is potential concern surrounding recoverability from a specific client, management will request funds upfront. Credit verification procedures may also be carried out where necessary. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Management addresses the Group's exposure to credit risk throughout the duration of customer contracts by employing advance payment terms or the right to cease transferring further goods or services.

See accounting policy (l) for details on the impairment methodology of trade receivables. 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 receivables is given in note 18.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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. 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), United Arab Emirates Dirham (AED) and United States Dollar (USD). The Group's Sterling (GBP) Consolidated 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, HKD, AED and USD to GBP exchange rates, with all other variables held constant. The impact on the Group profit 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.

	2018		2017	
Effect on profit/(loss) before tax	**+5% £**	**-5% £**	+5% £	-5% £
Euro	**17,658**	**(17,658)**	8,135	(8,135)
Australian Dollar	**56,590**	**(56,590)**	143,165	(143,165)
Singapore Dollar	**24,058**	**(24,058)**	20,041	(20,041)
Hong Kong Dollar	**(18,658)**	**18,658**	8,193	(8,193)
UAE Dirham	**5,171**	**(5,171)**	–	–
US Dollar	**49,206**	**(49,206)**	–	–

	2018		2017	
Effect on equity	**+5% £**	**-5% £**	+5% £	-5% £
Euro	**933**	**(933)**	327	(327)
Australian Dollar	**120,046**	**(120,046)**	69,093	(69,093)
Singapore Dollar	**23,453**	**(23,453)**	29,685	(29,685)
Hong Kong Dollar	**10,964**	**(10,964)**	10,530	(10,530)
UAE Dirham	**7,857**	**(7,857)**	–	–
US Dollar	**9,289**	**(9,289)**	–	–

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

(b) Interest rate risk

The interest rate risk profile of the Group's cash and cash equivalents is shown below. The Group's other financial assets were not exposed to interest rate risk.

Cash and cash equivalents	31 December 2018 £	31 December 2017 £
Floating rate	–	–
Fixed rate	340,621	322,914
Non-interest bearing	2,249,490	3,207,093
	2,590,111	3,530,007

The fixed rate cash deposits mature on various dates within one year of the year end and bear interest at 1.8% per annum (2017: 1.5% per annum). The fixed rate cash deposits above are restricted cash amounts and are included within cash and cash equivalents disclosed above and in the Consolidated Statement of Cash Flows. These deposits are subject to restrictions and are therefore not available for general use by the Group.

The Group's cash and cash equivalents of £2,590,111 comprises of cash at hand and in bank of £2,249,490 and short-term bank deposits of £340,621. The Company's cash and cash equivalents of £367,811 comprises of only cash at hand and in bank. Bank overdrafts are disclosed in note 23.

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

Loans and borrowings	31 December 2018 £	31 December 2017 £
Fixed rate convertible loans	(5,824,955)	(5,184,550)
Fixed rate loans and borrowings	(3,804,561)	(3,619,227)
Variable rate loans and borrowings[1]	(2,990,000)	(3,093,484)
	(12,619,516)	(11,897,261)

[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.

Maturity profile of financial liabilities	31 December 2018 £	Restated 31 December 2017 £
Due in six months or less	12,573,602	13,296,455
Due between six months and 1 year	257,355	242,156
Due between 1 year and 2 years	248,944	288,444
Due between 2 and 5 years	4,294,294	4,122,276
Due in 5 years or more	–	–
	17,374,195	17,949,331

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

9. 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 is 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 other companies 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 capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt.

	Notes	31 December 2018 £	31 December 2017 £
Total borrowings	23	12,619,516	11,897,261
Less: cash and cash equivalents		(2,590,111)	(3,530,007)
Net debt		10,029,405	8,367,254
Total equity		547,170	4,922,260
Total capital		10,576,575	13,289,514
Gearing ratio		94.8%	63.0%

The increase in the gearing ratio during 2018 resulted mainly from the funding of losses.

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 2018

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 2018	**3,530,007**	**(110,012)**	**(25,874)**	**(8,298,219)**	**(3,463,156)**	**(8,367,254)**
Net cash flows	(950,391)	127,198	–	194,789	–	**(628,404)**
Acquisitions – finance leases	–	(6,140)	(15,833)	–	–	**(21,973)**
Foreign exchange adjustments	10,495	–	–	(1,198)	–	**9,297**
Other non-cash movements	–	(43,667)	31,359	(731,710)	(277,053)	**(1,021,071)**
At 31 December 2018	**2,590,111**	**(32,621)**	**(10,348)**	**(8,836,338)**	**(3,740,209)**	**(10,029,405)**

The below table sets out the movements in net debt in the prior 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)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 2018

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	19/06/2018	19%	100%	1,053,050	461,139	591,911
Newgate Communications Pty Ltd	19/06/2018	4.43%	66.72%	338,252	8,179	330,073
Newgate Communications (HK) Limited	19/06/2018	20%	80%	244,304	50,753	193,551
Newgate Communications (Singapore) Pte. Ltd	30/10/2018	6%	51%	71,111	25,836	45,275
Porta Communications Midco Holdings Limited[1]	07/12/2018	0%	100%	150	7,500	(7,350)
				1,706,867	**553,407**	**1,153,460**

[1] Porta held 100% of Porta Communications Midco Holdings Limited by virtue of owning all of the Ordinary Shares. During the year 1,500 A Ordinary shares were transferred to Porta from former employees. See note 26 for further details.

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 2018

11. Non-controlling interests

During the year ended 31 December 2018 the Group had two subsidiaries with material non-controlling interests: Redleaf Polhill Limited and Newgate Communications Pty Limited. On 9 June 2018, Porta acquired a further 19% interest in Redleaf Polhill Limited and so now owns 100% of the company. Summarised financial information including related consolidation adjustments before intragroup eliminations in respect of Newgate Communications Pty Limited is presented in the table below.

	Newgate Communications Pty Ltd	
	31 December 2018 £	31 December 2017 £
Current assets	3,608,093	3,412,549
Current liabilities	(2,501,642)	(3,243,109)
Net current assets	1,106,451	169,440
Non-current assets	667,706	393,754
Non-current liabilities	(1,218,894)	(8,189)
Net non-current (liabilities)/assets	(551,188)	385,565
Net assets	555,263	555,005
Non-controlling interests	184,874	209,292
Group ownership	66.72%	62.29%
NCI %	33.28%	37.71%

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue	12,267,976	14,105,654
Profit for the year	586,891	1,357,556
Other comprehensive income	(8,670)	(15,774)
Total comprehensive income	578,221	1,341,782
Attributable to non-controlling interests	204,623	558,242
Dividends declared to non-controlling interests	212,204	1,050,970

	£	£
Cashflows from operating activities	530,282	1,603,197
Cashflows from investing activities	(242,028)	(1,004,125)
Cashflows from financing activities	32,522	-
Payment of dividend to parent Company	(71,584)	(550,923)
Net increase in cash and cash equivalents	249,192	48,149

Further information about the non-controlling interests of other subsidiaries is given in note 17.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

12. Investment in associate

On 16 January 2018, Capital Access Holdings Limited ("Capital Access") issued a further 200 Ordinary shares reducing the Group's ownership to 39.5%. The Group disposed of its entire 39.5% interest in Capital Access, waived outstanding Group net debts with Capital Access (totalling approximately £43,000) and extended the service agreement by three months, on 11 December 2018 and in exchange was relieved of its guarantee obligations under the original acquisition agreement. See note 20 which contains further details surrounding this extinguished contingent liability relating to Capital Access.

The following tables summarise the financial information of the Group's investment in Capital Access.

Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue	1,003,189	1,519,092
Cost of sales	(57,404)	(69,770)
Administration expenses	(1,345,786)	(1,595,064)
Net finance expense	-	(173,445)
Loss for the year	(400,001)	(319,187)
Other comprehensive income	-	-
Total comprehensive income	(400,001)	(319,187)
Group ownership	0%	43.9%
Loss attributable to the Group	(150,112)	(119,784)

	31 December 2018 £	31 December 2017 £
Carrying value of the investment at 1 January	-	787,946
Acquired during the year	18,191	44,322
Share of profit in associate during the year	-	31,544
Impairment	(18,191)	(863,812)
Carrying value of the investment at 31 December	-	-

Company

	31 December 2018 £	31 December 2017 £
Carrying value of the investment at 1 January	-	819,489
Acquired during the year	18,191	44,322
Impairment	(18,191)	(863,811)
Carrying value of the investment at 31 December	-	-

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 2018 Number	Year ended 31 December 2017 Number
Weighted average number of shares (Ordinary and dilutive)	**484,106,427**	378,394,062

	£	£
Loss on continuing activities after tax	**(4,479,083)**	(5,438,690)
Profit on discontinued activities after tax	**–**	–
Loss on continuing and discontinued activities after tax	**(4,479,083)**	(5,438,690)

No share options or warrants outstanding at 31 December 2018 or 31 December 2017 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.

14. Loss 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 £2,233,250 (2017: £4,490,656).

15. Intangible assets

Group

Cost	Goodwill £	Customer relationships £	Brands £	Websites, software and licences £	Total £
At 1 January 2017	8,240,898	9,380,000	3,187,000	451,268	21,259,166
Additions in the year	–	–	–	140,378	140,378
Disposals 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**
Additions in the year	–	–	–	68,815	**68,815**
Disposals in the year	(346,858)	–	–	(80,237)	**(427,095)**
Translation differences	48,966	–	–	384	**49,350**
At 31 December 2018	**7,885,098**	**9,130,000**	**3,187,000**	**517,097**	**20,719,195**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Amortisation and impairment	Goodwill £	Customer relationships £	Brands £	Website, software and licences £	Total £
At 1 January 2017	(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)
Impairment	(488,227)	–	–	–	(488,227)
Eliminated on disposal	–	250,000	–	63,395	313,395
Translation differences	–	–	–	85	85
At 31 December 2017	**(1,423,786)**	**(6,611,653)**	**(1,948,023)**	**(278,314)**	**(10,261,776)**
Charge for the year	–	(1,544,012)	(181,504)	(124,698)	**(1,850,214)**
Impairment	–	–	(842,811)	–	**(842,811)**
Eliminated on disposal	346,858	–	–	77,860	**424,718**
Translation differences	–	–	–	(249)	**(249)**
At 31 December 2018	**(1,076,928)**	**(8,155,665)**	**(2,972,338)**	**(325,401)**	**(12,530,332)**

Net book value	£	£	£	£	£
At 1 January 2017	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
At 31 December 2018	**6,808,170**	**974,335**	**214,662**	**191,696**	**8,188,863**

The average remaining amortisation period at 31 December 2018 is approximately 5 years for brands (2017: 6 years) and less than 1 year for customer relationships (2017: 1 year).

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 2018 £	31 December 2017 £
Communications	ICAS Limited (trading as Publicasity)	**–**	188,789
Communications	Newgate Communications Limited	**5,140,264**	3,545,117
Communications	Newgate Communications (HK) Limited	**545,076**	515,570
Communications	Newgate Communications (Singapore) Pte. Ltd	**523,286**	503,826
Communications	Redleaf Polhill Limited	**–**	1,406,358
Marketing	21:12 Communications Limited	**599,544**	599,544
		6,808,170	6,759,204

ICAS Limited and Redleaf Polhill Limited ceased trading on 31 October 2018. A transfer of trade and assets to Newgate Communications Limited occurred on 1 November 2018.

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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 15% (2017: 10%) and a terminal growth rate of 2.5% (2017: 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 2018 and forecasts for 2019 onwards, Porta has determined there to be no impairment necessary to any cash-generating units.

Company

Cost	Websites, software and licences £	Total £
At 1 January 2017	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**
Additions in the year	56,331	**56,331**
Disposals in the year	(55,405)	**(55,405)**
At 31 December 2018	**449,264**	**449,264**
Amortisation	**£**	**£**
At 1 January 2017	(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)**
Charge for the year	(106,646)	**(106,646)**
Eliminated on disposal	55,672	**55,672**
At 31 December 2018	**(279,226)**	**(279,226)**
Net book value	**£**	**£**
At 1 January 2017	178,847	178,847
At 31 December 2017	220,086	220,086
At 31 December 2018	**170,038**	**170,038**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

16. Property, plant and equipment

Group

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor Vehicles £	Total £
At 1 January 2017	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 the 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**
Additions in the year	310,360	67,639	93,140	–	**471,139**
Transfers between categories	231,737	(172,069)	(59,668)	–	**–**
Disposals in the year	(100,983)	(126,957)	(17,720)	(58,728)	**(304,388)**
Translation differences	(15,104)	(3,524)	(5,443)	–	**(24,071)**
At 31 December 2018	**1,468,897**	**397,555**	**699,134**	**–**	**2,565,586**
Depreciation	**£**	**£**	**£**	**£**	**£**
At 1 January 2017	(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)**
Charge for the year	(245,520)	(136,678)	(202,107)	(14,224)	**(598,529)**
Transfers between categories	(231,737)	155,292	76,445	–	**–**
Eliminated on disposal	98,370	111,018	16,146	55,318	**280,852**
Translation differences	4,726	2,489	3,011	1	**10,227**
At 31 December 2018	**(823,863)**	**(296,807)**	**(534,920)**	**–**	**(1,655,590)**
Net book value	**£**	**£**	**£**	**£**	**£**
At 1 January 2017	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
At 31 December 2018	**645,034**	**100,748**	**164,214**	**–**	**909,996**

The net book value of assets held under finance leases as at 31 December 2018 was £64,543 (2017: £148,920).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Company

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor Vehicles £	Total £
At 1 January 2017	739,652	149,535	124,365	24,000	1,037,552
Additions in the year	13,076	3,384	1,519	–	17,979
Disposals in the year	–	(1,178)	(32,525)	–	(33,703)
Transfers from group companies	–	–	403	–	403
At 31 December 2017	**752,728**	**151,741**	**93,762**	**24,000**	**1,022,231**
Additions in the year	–	24,373	2,432	–	**26,805**
Transfers between categories	–	(31,961)	31,961	–	**–**
Disposals in the year	(3,547)	(16,554)	(7,643)	(24,000)	**(51,744)**
At 31 December 2018	**749,181**	**127,599**	**120,512**	**–**	**997,292**

Depreciation	£	£	£	£	£
At 1 January 2017	(305,529)	(92,756)	(122,141)	(15,200)	(535,626)
Charge for the year	(117,795)	(18,592)	(18,190)	(4,800)	(159,377)
Transfers 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)**
Charge for the year	(120,360)	(19,597)	(23,382)	(4,000)	**(167,339)**
Transfers between categories	–	15,184	(15,184)	–	**–**
Eliminated on disposal	2,069	15,125	7,597	24,000	**48,791**
At 31 December 2018	**(562,728)**	**(99,458)**	**(117,662)**	**–**	**(779,848)**

Net book value	£	£	£	£	£
At 1 January 2017	434,123	56,779	2,224	8,800	501,926
At 31 December 2017	308,291	41,571	7,069	4,000	360,931
At 31 December 2018	**186,453**	**28,141**	**2,850**	**–**	**217,444**

The net book value of assets held under finance leases as at 31 December 2018 was £64,543 (2017: £135,286).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

17. Investment in subsidiaries

Company

Cost	£
At 1 January 2017	17,663,908
Additions during the year	1,127,412
Share based payments to subsidiary company employees	(127,638)
Transfers to group companies	(277,376)
At 31 December 2017	**18,386,306**
Additions during the year	**1,053,200**
Share based payments to subsidiary company employees	**(19,568)**
At 31 December 2018	**19,419,938**

Provision for impairment	£
At 1 January 2017	(3,939,600)
Impairment in the year	(349,999)
At 31 December 2017	**(4,289,599)**
At 31 December 2018	**(4,289,599)**

Net book value	£
At 1 January 2017	13,724,308
At 31 December 2017	14,096,707
At 31 December 2018	**15,130,339**

Additions during the year were as follows:

Company	Notes	£
Redleaf Polhill Limited	10	1,053,050
Porta Communications Midco Holdings Limited	10	150
		1,053,200

The final 19% interest in Redleaf Polhill Limited was purchased for a total consideration of £1,047,800. The above figure of £1,053,050 includes stamp duty of £5,250.

During the year 1,500 Ordinary shares in Porta Communications Midco Holdings Limited were purchased for a cash consideration of £150. Further details of this transaction can be found in note 26.

No intangibles were recognised as a result of the above acquisitions.

No impairments were deemed necessary as a result of the annual impairment reviews performed by Porta.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

At 31 December 2018, the Company indirectly held all of the following interest 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
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[1]
EngageComm Pty Limited (incorporated in Australia)	c/o Bell Partners, 40 Lime Street, King Street Wharf, Sydney NSW 2000, Australia	Ordinary	51%	Public Relations & Public Affairs consultancy
ICAS Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy[2]
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, Public Affairs & Research consultancy
Newgate Communications (Beijing) Limited (incorporated in China)	Room 2467, No. 77 Jlanguo Road, Chaoyang District, Beijing, China	Ordinary	80%	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	66.72%	Public Relations, Public Affairs & Research consultancy
Newgate Communications (HK) Limited (incorporated in Hong Kong)	802 Winsome House, 73 Wyndham Street, Central, Hong Kong	Ordinary	80%	Public Relations & Public Affairs consultancy

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Name	Address of the registered office	Share capital held	Percentage held	Principal activity during year
Newgate Communications (Singapore) Pte. Ltd (incorporated in Singapore)	24 Raffles Place, #16-05 Clifford Centre, Singapore 048621.	Ordinary	51%	Public Relations & Public Affairs consultancy
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%	Dormant
Redleaf Polhill Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy[3]
Springall Gbr (incorporated in Germany)	Alstertwiete 3, 20099 Hamburg	Ordinary	100%	Dormant
Velvet Consultancy Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant

*Directly held

[1] Clare Consultancy Limited ceased trading on 28 September 2018. On 8 March 2019 the Company name was changed to Impact PR Limited.

[2] ICAS Limited ceased trading on 31 October 2018. A transfer of trade and assets to Newgate Communications Limited occurred on 1 November 2018, at net book value.

[3] Redleaf Polhill Limited ceased trading on 31 October 2018. A transfer of trade and assets to Newgate Communications Limited occurred on 1 November 2018, at net book value.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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
PPS (Local and Regional) Limited

Preparation & filing exemptions:

The following Group entity is 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
PPS (Local and Regional) Limited

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

Velvet Consultancy Limited

18. Trade and other receivables

Group

Current assets	31 December 2018 £	31 December 2017 £
Trade receivables	5,849,048	6,962,920
Less: provision for impairment	(109,416)	(81,720)
	5,739,632	6,881,200
Other debtors	48,585	475,747
Accrued Income[1]	–	727,207
Prepayments	384,089	596,041
	6,172,306	8,680,195

[1] The Group has initially applied IFRS 15 at 1 January 2018 using the cumulative effect method, under which comparative information is not restated. The effect of initially applying IFRS 15 on the Group's financial statements is described in note 27.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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

	31 December 2018 £	31 December 2017 £
Neither past due nor impaired	2,317,621	3,496,817
Past due but not impaired:		
Past due up to 3 months	2,529,122	2,523,931
Past due more than 3 months not more than 6 months	265,517	699,128
Past due more than 6 months not more than 1 year	356,764	119,179
Past due more than 1 year	270,608	42,145
	5,739,632	6,881,200

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

	31 December 2018 £	31 December 2017 £
Balance at 1 January	81,720	54,230
Amounts written off during the year	(85,622)	(89,837)
Provision made during the year	154,708	117,327
Amounts recovered during the year	(41,225)	–
Translation differences	(165)	–
Balance at 31 December	109,416	81,720

The Group applies the IFRS 9 simplified impairment approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others: the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a significant period past its due date. Impairment losses on trade receivables and contract assets recognised in the Consolidated Statement of Comprehensive Income during the year was £233,613 (2017: £117,327). Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The concentration of credit risk is limited due to the client base being large and unrelated. Further information about the credit exposure of trade receivables is disclosed in note 8.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Non-current assets	**31 December 2018 £**	31 December 2017 £
Other debtors	**41,837**	–
Rental deposits	**996,946**	923,775
	1,038,783	923,775

Company

Current assets	**31 December 2018 £**	31 December 2017 £
Trade receivables	**14,785**	43,251
Less: provision for impairment	**–**	–
	14,785	43,251
Other debtors	**20,870**	96,402
Prepayments	**155,416**	400,928
	191,071	540,581

Non-current assets	**31 December 2018 £**	31 December 2017 £
Rental deposit	**923,775**	923,775
	923,775	923,775

19. Trade and other payables

Group

Current liabilities	**31 December 2018 £**	31 December 2017 £
Trade payables	**1,272,398**	1,552,515
Taxes and social security costs	**1,390,117**	1,554,172
Income received in advance[1]	**–**	674,308
Other payables	**856,473**	809,177
Accrued expenses	**1,830,705**	2,249,524
	5,349,693	6,839,696

[1] The Group has initially applied IFRS 15 at 1 January 2018 using the cumulative effect method, under which comparative information is not restated. The effect of initially applying IFRS 15 on the Group's financial statements is described in note 27.

Non-current liabilities	**31 December 2018 £**	31 December 2017 £
Trade payables	**–**	114,232
Other payables	**–**	20,792
Accrued expenses	**792,681**	786,665
	792,681	921,689

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Company

Current liabilities	**31 December 2018 £**	31 December 2017 £
Trade payables owing to third parties	**424,257**	204,704
Trade payables owing to related parties (note 26)	**6,641**	16,120
	430,898	220,824
Taxes and social security costs	**574,838**	354,654
Other payables	**63,887**	290,029
Accrued expenses	**443,761**	421,918
	1,513,384	1,287,425

Non-current liabilities	**31 December 2018 £**	31 December 2017 £
Trade payables	**–**	114,232
Other payables	**–**	20,792
Accrued expenses	**593,633**	786,665
	593,633	921,689

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

20. Provisions

Group

Current liabilities	**31 December 2018 £**	31 December 2017 £
At 1 January	**513,807**	–
Utilised in the year	**(523,900)**	–
Charged/(released) in the year:		
Amortisation of put/call agreement	**10,093**	–
Transferred from long term provisions	**–**	513,807
At 31 December	**–**	513,807

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.

The final tranche of 19% of the issued share capital of Redleaf was acquired by Porta in June 2018 and as a result the provision has been fully utilised in the year. No further amounts are due with respect to this acquisition.

Contingent liabilities

Group and Company

In the prior year, a contingent liability was disclosed with respect to a £1,000,000 guarantee which Porta had against lender debt, to be satisfied in 10p Porta shares if called upon. This guarantee was on behalf of Capital Access, under the original acquisition agreement with the company. The obligation was extinguished on 11 December 2018 when Porta disposed of its full shareholding in Capital Access.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

21. Share capital and reserves

Group and Company

Share capital

Allotted, called up and fully paid

31 December 2018	Number	£
Ordinary shares of 1p each	506,525,115	5,065,252
Deferred shares of 0.9p each	2,862,879,050	25,765,912
	3,369,404,165	**30,831,164**

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

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

	Number	Ordinary shares £	Deferred shares £	Total £
At 1 January 2017	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**
New issues during the year	49,589,065	495,891	–	**495,891**
At 31 December 2018	**3,369,404,165**	**5,065,252**	**25,765,912**	**30,831,164**

On 30 April 2018, 3,954,619 Ordinary shares of 1p each were issued to two former employees of PPS (Local and Regional) Limited to satisfy conditions existing when the subsidiary was acquired by the Group in November 2014. No further amounts are due with respect to this acquisition.

On 19 June 2018, Porta issued the following:

- 23,493,273 Ordinary shares of 1p each, which was 50% of the total consideration of £1,047,800, to acquire the final 19% interest in Redleaf Polhill Limited, with the balance satisfied in cash in line with the original agreement;
- 12,861,278 Ordinary shares of 1p each to acquire an additional 4.428% interest in Newgate Communications Pty Limited; and
- 9,279,895 Ordinary shares of 1p each to acquire an additional 20% interest in Newgate Communications (HK) Limited.

Further details can be found in note 10.

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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Share premium

	£
At 1 January 2017	5,826,561
New issues during the year	3,836,353
Issue costs	(22,000)
At 31 December 2017	**9,640,914**
New issues during the year	**709,583**
At 31 December 2018	**10,350,497**

Retained losses (Group only)

Transfers to retained losses in the year totalled £15,172. See the other reserves section below for details of the figures this comprised of.

Translation reserve (Group only)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

During the year, an amount of £117,731 was credited (2017: £120,736 charged) to other reserves relating to share based payments transactions (note 22). The credit in the year is mainly due to the reversal of previously recognised cost through the Statement of Comprehensive Income relating to options forfeited before vesting.

In addition, £153,472 was transferred to retained losses in relation to lapsed options in the share based payment reserve (2017: £21,845).

Other amounts totalling £138,300 have been transferred from other reserves to retained losses in the year in relation to the disposal of Summit Marketing Services Limited.

22. Share based payments

During the year, no share options were granted to staff or directors under any share option or other incentive plans (2017: none).

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 historical 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.

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

*expected weighted average life.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

	2018 Number	2018 Weighted average exercise price	2017 Number	2017 Weighted average exercise price
Balance at 1 January	**23,151,341**	**18.61p**	24,571,341	18.11p
Forfeited/lapsed during the year	**(16,360,443)**	**19.13p**	(1,420,000)	10.00p
Balance at 31 December	**6,790,898**	**17.35p**	23,151,341	18.61p

The weighted average remaining contractual lives of the outstanding options is 3.4 years and exercise prices range from 10p to 22.51p.

£117,731 relating to share based payments has been recognised as a credit in the Statement of Comprehensive Income for the year ended 31 December 2018 (2017: expense of £120,736). The credit in the year is mainly due to the reversal of previously recognised cost through the Statement of Comprehensive Income as a result of options forfeited before vesting.

Of the 6,790,898 outstanding options, 2,812,417 options were exercisable at 31 December 2018.

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 8.

Group

Current liabilities	Notes	31 December 2018 £	31 December 2017 £
Convertible loan		**5,824,955**	5,184,550
Bank overdraft[1]		**2,990,000**	3,093,484
Loan		**21,383**	20,185
Obligations under finance leases	24	**32,621**	110,012
		8,868,959	8,408,231

[1] The bank overdraft is a five year £3.3m revolving credit facility with Clydesdale Bank Plc (up to June 2022). This facility includes a margin of 3.85% over a 3 month LIBOR.

Non-current liabilities	Notes	31 December 2018 £	31 December 2017 £
Deep discounted bond		**3,740,209**	3,463,156
Obligations under finance leases	24	**10,348**	25,874
		3,750,557	3,489,030

As of 30 June 2018, the Retro Grand convertible loan with a face value of £5,183,415 is rolling with Additional interest of 12% p.a. accruing daily on the cumulative unpaid Standard interest which is charged at 8% p.a. Default interest on the capital is also being accrued daily at 12% p.a. See note 28 for subsequent events.

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 Investment') 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 2018

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2018 Face Value	2018 Carrying Amount	2017 Face Value	2017 Carrying Amount
Deep discounted bond	GBP	8%	2021	**4,460,243**	**3,740,209**	4,460,243	3,463,156
Convertible loan	GBP	8%	2018	**5,183,415**	**5,824,955**	5,183,415	5,184,550
Loan[1]	AED	60%	2019	**18,955**	**21,383**	18,955	20,185
				9,662,613	**9,586,547**	9,662,613	8,667,891

[1] £18,955 is the sterling equivalent of the face value of the loan. The loan in local currency is AED 100,000.

Company

Current liabilities	Notes	31 December 2018 £	31 December 2017 £
Convertible loan		**5,824,955**	5,184,550
Bank overdraft		**2,990,000**	3,093,484
Obligations under finance leases	24	**32,621**	97,223
		8,847,576	8,375,257

Non-current liabilities	Notes	31 December 2018 £	31 December 2017 £
Deep discounted bond		**3,740,209**	3,463,156
Obligations under finance leases	24	**10,348**	25,874
		3,750,557	3,489,030

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2018 Face Value	2018 Carrying Amount	2017 Face Value	2017 Carrying Amount
Deep discounted bond	GBP	8%	2021	**4,460,243**	**3,740,209**	4,460,243	3,463,156
Convertible loan	GBP	8%	2018	**5,183,415**	**5,824,955**	5,183,415	5,184,550
				9,643,658	**9,565,164**	9,643,658	8,647,706

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 and in note 28 detailing subsequent events.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

24. Finance leases

Finance lease commitments – as lessee

Group

	2018		2017	
	Minimum payments £	Present value of payments £	Minimum payments £	Present value of payments £
Within one year	34,850	32,621	120,792	110,012
Between one and five years	11,048	10,348	26,681	25,874
Total minimum lease payments	45,898	42,969	147,473	135,886
Less amount representing finance charges	(2,929)	–	(11,587)	–
Present value of minimum lease payments	42,969	42,969	135,886	135,886

Analysed as:	£	£
Current liability	32,621	110,012
Non-current liability	10,348	25,874
Present value of minimum lease payments	42,969	135,886

Company

	2018		2017	
	Minimum payments £	Present value of payments £	Minimum payments £	Present value of payments £
Within one year	34,850	32,621	108,003	97,223
Between one and five years	11,048	10,348	26,681	25,874
Total minimum lease payments	45,898	42,969	134,684	123,097
Less amount representing finance charges	(2,929)	–	(11,587)	–
Present value of minimum lease payments	42,969	42,969	123,097	123,097

Analysed as:	£	£
Current liability	32,621	97,223
Non-current liability	10,348	25,874
Present value of minimum lease payments	42,969	123,097

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 2018 £	Year ended 31 December 2017 £
Less than one year	1,865,823	1,670,379
Between one and five years	5,504,308	5,604,824
More than five years	83,753	1,088,791
	7,453,884	8,363,994

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 the rent charge recognised in the Statement of Comprehensive Income is different to the contractually committed cash outflow.

26. Related party transactions

Key management personnel

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 of the following:

	Year ended 31 December 2018 £	Restated Year ended 31 December 2017 £
Short term employee benefits	1,336,732	1,029,514
Share-based payments	(120,951)	105,224
Termination benefits	102,396	188,768
Post-employment benefits	50,647	60,572
	1,368,824	1,384,078

Other related party transactions

On 31 January 2018, John Foley, the Non-Executive Chairman of the Company, purchased 4,700,000 Ordinary shares of 1p each at a price of 3.5p per share.

Fiorenzo Tagliabue, the Non-Executive Deputy Chairman, 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 secondment fee for the provision of secondee services and at the previous year end £10,000 of these fees were outstanding. In 2018 Porta paid the outstanding balance of £10,000 to SEC. There were no further transactions during 2018.

On 1 May 2018, Emma Kane, the Joint Chief Executive Officer of the Company, purchased 1,538,462 Ordinary shares of 1p each at a price of 3.25p per share.

On 19 June 2018, Porta acquired the final 19% interest in Redleaf Polhill Limited ("Redleaf") satisfied by way of 50% cash and 50% shares as per the original agreement. No further amounts are due with respect to this acquisition.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Of the 23,493,273 shares issued on 19 June 2018 to the owners of Redleaf, 21,158,042 were issued to Emma Kane and to persons closely associated ("PCAs") with her and cash paid of £471,824.

Between Emma's appointment to the Porta Board and the year end, Redleaf declared and paid dividends to Emma, and PCAs with her, of £16,825. There are no outstanding dividends payable at the end of the year.

During the year Redleaf paid Barbican Centre Trust Ltd, a registered charity and company of which Emma is the Chairman, £12,000 for Corporate membership. No amounts were outstanding at the year end.

Newgate Communications Pty Limited ("Newgate Australia") declared dividends of £64,084 (A$114,265) on 19 June 2018 to Brian Tyson. As at 31 December 2018, dividends payable of £176,454 (A$318,491) were still owed to Brian.

On 19 June 2018, 2,088,360 shares were issued to Brian Tyson in relation to Porta's further acquisition of Newgate Australia at a cost of £54,924.

During the period, the Group was invoiced £7,268 (A$12,945) for flowers by Buds and Poppies, a florist company owned by the wife of Brian Tyson. An annual membership fee of £4,211 (A$7,500) was paid to the Committee for Sydney, of which Brian Tyson is also a director. No amounts were outstanding to either party at the year end.

At the year end, unpaid pension contributions of £24,631 (2017: £24,631) were owed to Gene Golembiewski.

During the year, David Wright received £80 in consideration for his 800 A Ordinary shares in Porta Communications Midco Holdings Limited, which were transferred to Porta as a result of his departure as an employee from Porta.

During the year, Steffan Williams received £70 in consideration for his 700 A Ordinary shares in Porta Communications Midco Holdings Limited, which were transferred to Porta as a result of his departure as an employee from Porta.

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:

	Max amount owed by Director during the year £	Owed by Directors/ (Owed to Directors) 2018 £	Owed by Directors/ (Owed to Directors) 2017 £
John Foley	–	–	–
Fiorenzo Tagliabue (and SEC S.p.A)	–	(663)	(10,703)
Emma Kane	–	(6,159)	–
Brian Tyson	–	–	–
Gene Golembiewski	403	181	(251)
Rhydian Bankes	6	–	(2)
Steffan Williams	–	–	(5,164)

All related party transactions were on normal commercial terms.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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 is as follows:

		2018		2017	
Subsidiary	Nature of transactions	Charged by parent £	Charged to parent £	Charged by parent £	Charged to parent £
13 Communications Limited	Expense recharges and consultancy fees	–	–	2,476	–
21:12 Communications Limited	Expense recharges and consultancy fees	293,714	–	481,438	–
	Marketing and advertising services	–	18,280	–	23,466
	Rent	258,720	–	241,850	–
	Interest	58,910	–	58,910	–
EngageComm Pty Ltd	Expense recharges and consultancy fees	8,239	–	9,386	–
ICAS Limited (t/a Publicasity)	Expense recharges and consultancy fees	75,197	–	325,831	–
	Rent	223,300	–	261,870	–
	Interest	–	44,715	–	52,398
Newgate Communications Limited	Expense recharges and consultancy fees	863,153	28,286	1,367,501	3,064
	Rent	719,180	–	568,190	–
	Interest	59	10,150	4,578	3,585
Newgate Communications FZ-LLC	Expense recharges and consultancy fees	1,378	–	1,469	–
Newgate Communications Pty Limited	Expense recharges and consultancy fees	347,001	4,571	386,368	135,046
	Interest	13,016	–	–	81,703
Newgate Communications (HK) Limited	Expense recharges and consultancy fees	62,148	–	42,853	–
Newgate Communications (Beijing) Limited	Expense recharges and consultancy fees	72	–	–	–
Newgate Communications (Singapore) Pte. Ltd	Expense recharges and consultancy fees	48,039	–	44,496	–
	Interest	–	4,136	1,058	2,304
Newgate Sponsorship Limited	Expense recharges and consultancy fees	–	–	975	–
Porta Communications Midco Holdings Limited	Group dividend	477,947	–	1,257,166	–
PPS (Local and Regional) Limited	Expense recharges and consultancy fees	–	–	24,652	–
	Rent	–	–	40,950	–
	Interest	–	–	–	5,820
Redleaf Polhill Limited	Expense recharges and consultancy fees	122,954	5,489	131,056	18,000
	Rent	180,000	–	–	–
Summit Marketing Services Limited	Expense recharges and consultancy fees	–	–	5,027	–
Newgate PR Holdings Limited	Interest	877	–	–	–
Total		3,753,904	115,627	5,258,100	325,386

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

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) 2018 £	2017 £
13 Communications Limited	**472,078**	–
21:12 Communications Limited	**3,962,214**	4,064,308
Clare Consultancy Limited	**353**	85
EngageComm Pty Limited	**138,509**	144,665
ICAS Limited (t/a Publicasity)	**–**	(2,109,959)
Newgate Brussels SPRL	**589,094**	398,766
Newgate Communications Limited	**(133,898)**	2,548,936
Newgate Communications FZ-LLC	**104,886**	108,014
Newgate Australia Pty Limited	**874,073**	891,103
Newgate Communications (HK) Limited	**9,558**	5,673
Newgate Communications (Beijing) Limited	**73**	–
Newgate Communications (Singapore) Pte. Ltd	**(483,181)**	(155,906)
Newgate Media Holdings Limited	**318,774**	576,000
Newgate PR Holdings Limited	**2,545,020**	2,307,345
Newgate Public Affairs Limited	**159,131**	(32,277)
Newgate Public Relations Limited	**521,069**	212,574
Newgate Sponsorship Limited	**18,797**	19,817
Porta Communications Midco Holdings Limited	**(10,758)**	(10,758)
Redleaf Polhill Limited	**–**	10,779
Summit Marketing Services Limited	**–**	(197,330)
Velvet Consulting Limited	**2**	2
Net amount owed to parent Company	**9,085,794**	8,781,837
Less: provision for impairment	**–**	–
Total	**9,085,794**	8,781,837
Analysed as:		
Non-current assets	**9,713,631**	11,288,067
Non-current liabilities	**(627,837)**	(2,506,230)
Total	**9,085,794**	8,781,837

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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

27. Impact of adopting IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on the Group's financial statements.

(a) IFRS 15 Revenue from Contracts with Customers

Cumulative effect of initially applying IFRS 15

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial statements. The Group has applied the cumulative effect method in accordance with IFRS 15.C3(b) and has elected to apply IFRS 15 retrospectively only to contracts that were not completed at the date of initial application. The cumulative effect of the changes made to the Consolidated Statement of Financial Position as at 1 January 2018 was nil.

For additional information about the Group's accounting policies relating to revenue recognition see note 1.

Impact of adoption

The following table summarises the impact of adopting IFRS 15 on the Consolidated Statement of Financial Position as at 31 December 2018 and the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 for each of the line items affected. The impact on net assets was nil. There was no material impact on the Consolidated Statement of Cash Flows for the year ended 31 December 2018.

		2018		
		As reported £	**Adjustments £**	**Amounts without adoption of IFRS 15 £**
Consolidated Statement of Comprehensive Income				
Revenue	(ii)	35,853,310	–	35,853,310
Consolidated Statement of Financial Position				
Current assets				
Work in progress	(i)	–	323,289	323,289
Contract assets	(i)	728,988	(728,988)	–
Contract cost assets	(i)	305,587	(305,587)	–
Trade and other receivables	(i)	6,172,306	711,286	6,883,592
Current liabilities				
Trade and other payables	(i)	(5,349,693)	(659,244)	(6,008,937)
Contract liabilities	(i)	(659,244)	659,244	–

Line items that were not affected by the adoption of IFRS 15 have not been included above.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

(i) Presentation of assets and liabilities related to contracts with customers

From 1 January 2018, the Group has voluntarily changed the presentation of certain amounts in the Consolidated Statement of Financial Position to reflect the terminology of IFRS 15:

- Contract assets recognised in relation to customer contracts would have been previously presented as part of work in progress (£17,702) and accrued income (£711,286) within trade and other receivables;
- Contract liabilities in relation to customer contracts would have been previously included in income received in advance (£659,244) within trade and other payables; and
- Contract cost assets recognised in relation to costs incurred in fulfilling a contract would have been previously presented as part of work in progress (£305,587).

(ii) Explanation of adjustment to revenue

No adjustment was required to reported revenue as a result of the adoption of IFRS 15 for the year ended 31 December 2018. IFRS 15 only presents one potentially significant impact to the Group's revenue recognition, which is the change in accounting policy for the recognition of variable consideration. Under IAS 18, the previous accounting standard, the Group would recognise variable consideration once the outcome of the contingent event was known. Under IFRS 15, an estimated amount of variable consideration is included in the transaction price and recognised in revenue to the extent that it is highly probable that this amount would not be subject to significant reversal when the uncertainty is resolved. As at 31 December 2018, there were no incomplete contracts containing variable consideration, hence no adjustments to revenue were necessary as noted above.

(b) IFRS 9 Financial Instruments

Cumulative effect of initially applying IFRS 9

The Group has adopted IFRS 9 from 1 January 2018 which replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The Group has applied IFRS 9 retrospectively in accordance with IFRS 9.7.2.1. This has resulted in changes to accounting policies, see note 1. The Group has also adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented as a separate line item in the Consolidated Statement of Comprehensive Income (CSCI). Previously, the Group's approach under IAS 39 was to include the impairment of trade receivables in operating and administrative expenses. Consequently, the Group has presented impairment losses on trade receivables and contract assets, amounting to £233,612, as a separate line item in the CSCI for the year ended 31 December 2018.

No adjustments to the opening balances of equity were required as a result of the adoption of IFRS 9. In accordance with the transitional provisions in IFRS 9.7.2.15 comparative figures have not been restated.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

Changes in the classifications of financial assets and financial liabilities

On the date of initial application, 1 January 2018, the Group has classified its financial instruments into the appropriate IFRS 9 categories. The financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount in £		
	Under IAS 39	**Under IFRS 9**	**Under IAS 39**	**Under IFRS 9**	**Difference**
Non-current financial assets					
Quoted equity shares	Available for sale	FVOCI	8,500	8,500	–
Other receivables	Amortised cost	Amortised cost	923,775	923,775	–
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	6,881,200	6,881,200	–
Other receivables	Amortised cost	Amortised cost	1,202,691	1,202,691	–
Cash and cash equivalents	Amortised cost	Amortised cost	3,530,007	3,530,007	–
Non-current financial liabilities					
Trade payables	Amortised cost	Amortised cost	114,232	114,232	–
Other payables	Amortised cost	Amortised cost	807,457	807,457	–
Loans and borrowings	Amortised cost	Amortised cost	3,489,030	3,489,030	–
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	1,552,515	1,552,515	–
Other payables	Amortised cost	Amortised cost	3,064,059	3,064,059	–
Bank overdrafts	Amortised cost	Amortised cost	3,093,484	3,093,484	–
Provisions	FVPL	FVPL	513,807	513,807	–
Loans and borrowings	Amortised cost	Amortised cost	5,314,747	5,314,747	–

The Group has made an irrevocable election to classify the above quoted equity shares (in Kalina Power Ltd), previously classified as available-for-sale, as financial assets at fair value through other comprehensive income (FVOCI). This investment is not held for trading and changes in the fair value of this equity investment are not indicative of the Group's performance. Therefore, to present the changes in the fair value of the investment in OCI results in more relevant information being provided to users of the accounts.

On the date of initial application no restatement is required to reclassify the fair value gains from the AFS reserve to FVOCI reserve, since no gains have previously been recognised in the Consolidated Statement of Comprehensive Income.

IFRS 9 largely retains the existing requirements under IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies relating to financial liabilities, see note 1.

The reclassification of financial instruments, on adoption of IFRS 9, did not result in any changes to the measurement of amounts previously recognised under IAS 39.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

28. Subsequent events

On 10 April 2019, the Company signed a convertible loan facility with SEC S.p.A ("SEC") (the "SEC Convertible Loan Agreement"), for a principal amount of £1.0m and carrying a 5% coupon. Draw down of the funds is conditional upon the Company receiving the requisite shareholder approval to allot ordinary shares and disapply statutory pre-emption rights from such allotment, sufficient to cover the convertible element of the loan. The resolutions will be proposed to shareholders at the General Meeting to be held at Porta offices on 26 April 2019 (note, this is not the AGM). Further details of the SEC Convertible Loan Agreement and the Notice of General Meeting are contained in the circular to shareholders dated 10 April 2019. Should the resolutions not be passed by shareholders at the General Meeting, the SEC loan will lapse.

On 10 April the Company entered into an agreement with Hawk Investment Holdings ("Hawk") (the "Hawk Facility") pursuant to which Hawk has agreed to provide the Company with a facility for £1.0m in the event that the SEC Convertible Loan Agreement lapses. Draw down of the funds is conditional upon the SEC Convertible Loan Agreement having lapsed as a result of the shareholder resolutions not being passed at a General Meeting to be held on 26 April 2019. The Hawk Facility carries a coupon of 5% and has a term of 364 days.

On 10 April, the Company refinanced the 2017 Retro Grand Limited convertible loan agreement, rolling up accrued standard and additional interest, plus the lender's costs and engagement fee, by way of a new 364-day loan of £5,670,762 carrying an annual coupon of 8.3%. As part of this agreement, Retro Grand have agreed to waive the previously accrued penalty interest of £0.5m, of which £0.3m was incurred in 2018, and as such will be written back in Porta 2019 Annual Report and Accounts.

On 10 April, the Company announced that it has entered into preliminary discussions with SEC to examine the potential of an all-share merger by way of a scheme of arrangement. Given the all-share nature of the proposal and the preliminary stage of the discussions, the structure of the proposal is currently being evaluated by the Board of Porta. The Board of Porta are committed to enhancing shareholder value which includes fully evaluating the proposal from SEC. There can be no certainty that any offer will be made or as to the terms on which any offer might be made. Porta will keep shareholders updated and further announcements will be made in due course.

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 29 May 2019 at 2 p.m. 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 2018, together with the reports of the Directors and Auditor therein.

2. 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.

3. 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 4 and 7 will be proposed as ordinary resolutions and resolutions 5 and 6 will be proposed as special resolutions.

4. 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 (save for the powers granted to the Directors pursuant to the resolutions contained in the notice of general meeting in the circular to shareholders dated 10 April 2019), 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 £1,519,575.34, 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)*

5. 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 (save for the powers granted to the Directors pursuant to the resolutions contained in the notice of general meeting in the circular to shareholders dated 10 April 2019), the Directors be and they are empowered to allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 5 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 £506,525.11; 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.

6. 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 50,652,511;

(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.

Notice of Annual General Meeting *(continued)*

7. 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, Companies Act 2006:

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

(c) to incur political expenditure (as such terms are defined in Section 363 and 364, Companies 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.

8. Other Business

In addition to the above resolutions, the Annual General Meeting will also consider pursuant to Section 656 of the Companies Act 2006 whether, and if so what, steps should be taken to deal with the Company's net assets forming less than half its called-up share capital.

Section 656 states that where the net assets of a public company are half or less of its called-up share capital, the directors must call a general meeting of the company to consider whether any, and if so what, steps should be taken to deal with the situation.

The Directors have noted that, as at 31 December 2018, the net assets of the Company were £11,375,111, which is less than half of the nominal value of its called-up share capital of £30,381,164.

The Annual Report and Accounts of the Company for the year ended 31 December 2018 include a going concern statement which confirms that the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future.

The Directors consider that in the circumstances the best course of action is for the Company to enter into the conditional convertible loan agreement with SEC SpA for the sum of £1,000,000 (as further described in note 28 of the Annual Report and Accounts of the Company for the year ended 31 December 2018) and to continue trading out of the period of restructuring in the UK which is now broadly complete and the results of which are beginning to be seen. The Directors are also in active discussions with SEC SpA regarding the potential of an all-share merger by way of a scheme of arrangement (as further described in note 28 of the Annual Report and Accounts of the Company for the year ended 31 December 2018). As the Directors do not consider that additional specific steps are required to be taken in respect of Section 656 pending the outcome of both the continued improvement in trading as well as the discussions with SEC SpA, they do not propose to put any resolution to Shareholders at the Annual General Meeting in this respect. The Board does however welcome dialogue with Shareholders on this point and the Annual General Meeting will provide a forum for such discussions to take place.

BY ORDER OF THE BOARD

Gene Golembiewski
Company Secretary

10 April 2019

Notice of Annual General Meeting *(continued)*

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, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS marked 'Proxy Return'; and (iii) received by the Company's Registrars no later than 2 p.m. on 24 May 2019.

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 provision of the Companies Act 2006.

6. As at 9 April 2019 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 506,525,115 Ordinary shares of 1p, carrying one vote each 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 506,525,115.

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 27 May 2019 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 27 May 2019 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

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 2018.

Resolution 2 – 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 3 – Auditor's remuneration

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

Resolution 4 – 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 £1,519,575.34, representing approximately 30 percent of the nominal value of the issued ordinary share capital of the Company as at 9 April 2019, being the latest practicable date before publication of this notice. 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 5 – 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 £506,525.11, representing approximately 10 percent of the nominal value of the issued ordinary share capital of the Company as at 9 April 2019 being the latest practicable date before publication of this notice. The Directors consider that the power proposed to be granted by resolution 5 is necessary to retain flexibility and, among other things, this authority may be used 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 6 – Authority to purchase shares (market purchases)

This resolution authorises the Board to make market purchases of up to 50,652,511 Ordinary shares (representing approximately 10 percent of the Company's issued Ordinary shares as at 9 April 2019, being the latest practicable date before publication of this notice). 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.

Notice of Annual General Meeting *(continued)*

Resolution 7 – Political Donations

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

However, the 2006 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 2006 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 2006 Act. The authority does not purport to authorise any particular donation or expenditure but is expressed in general terms, as required by the 2006 Act. Furthermore, as permitted under the 2006 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 Companies Act 2006. 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 29 May 2019 at 2 p.m. (the 'AGM')

Resolutions	FOR	AGAINST	VOTE WITHHELD
ORDINARY BUSINESS:			
1. To receive the Report and Accounts for the year ended 31 December 2018 (ordinary resolution)			
2. To appoint Grant Thornton UK LLP as auditors (ordinary resolution)			
3. To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)			
SPECIAL BUSINESS:			
4. To authorise the Directors to allot relevant securities (ordinary resolution)			
5. To empower the Directors to allot equity securities for cash on a non pre-emptive basis in certain circumstances (special resolution)			
6. To authorise the Directors to make market purchases of its Ordinary shares (special resolution)			
7. 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 29 May 2019 and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 29 May 2019 (the 'Resolutions') and any other business (including adjournments and amendments to the Resolutions and to speak in connection with Item 8 contained in the Notice of Annual General Meeting) 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...2019

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. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent SLC Registrars (ID: 7RA01) by 2 p.m. on 24 May 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change to the instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. A proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 may be treated as invalid. In any case, proxy forms must be received by the Company's registrars no later than 2 p.m. on 24 May 2019.
4. Unless otherwise indicated the proxy will vote as he/she thinks fit or, at his/her discretion, abstain from voting.
5. The Form of Proxy 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 p.m. on 24 May 2019.
6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
7. 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.
8. 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 27 May 2019 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.
9. 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.

Notes

"WE ARE PLEASED WITH THE POSITIVE POSITION THE GROUP IS NOW IN AND EXCITED ABOUT THE OPPORTUNITIES WE BELIEVE WE NOW HAVE. WE LOOK FORWARD TO THE FUTURE WITH RENEWED ENERGY AND CONFIDENCE."

JOHN FOLEY, CHAIRMAN

PORTA

Communications with impact

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