



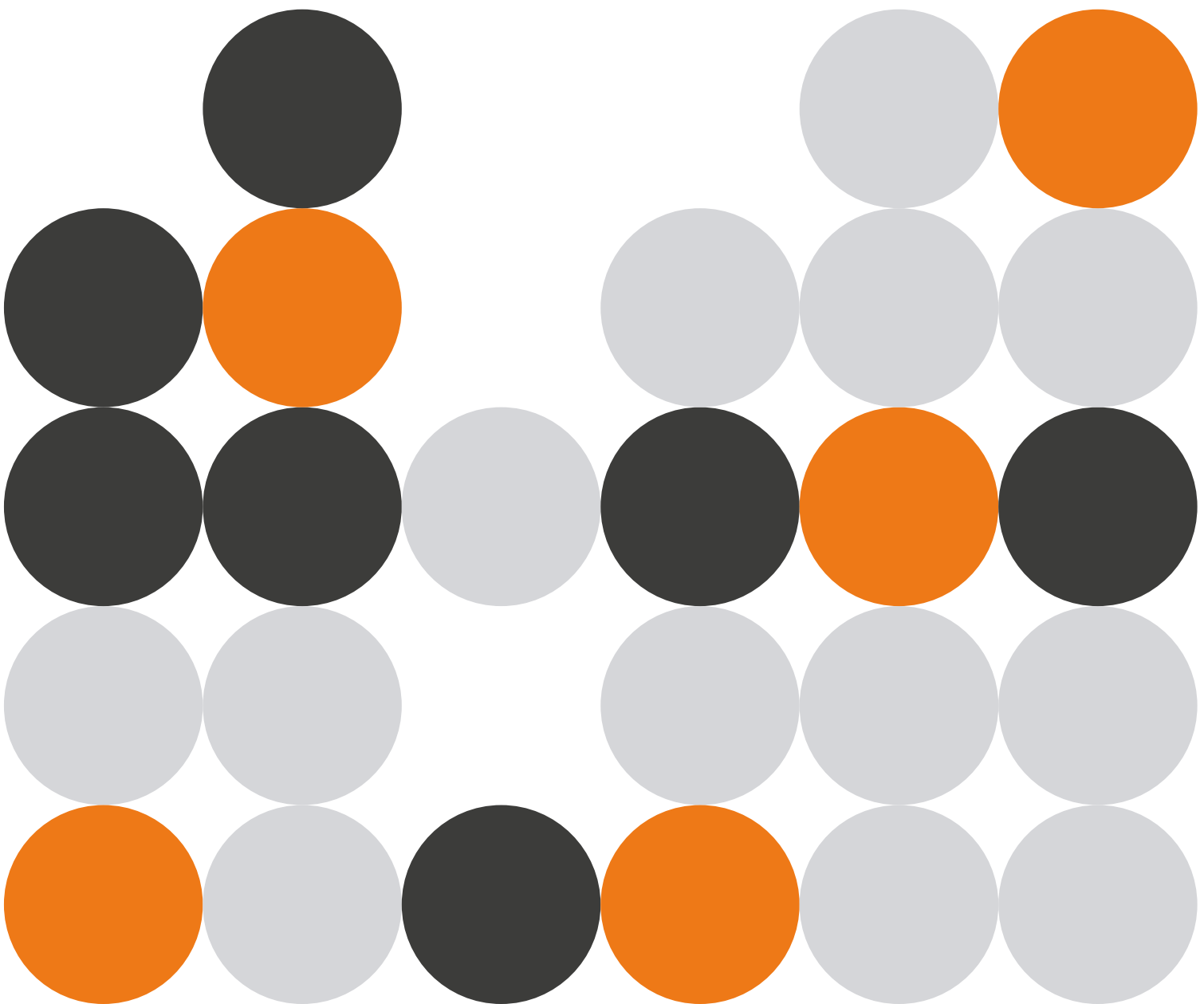
PORTA



Porta Communications Plc **Annual Report 2016**

For the year ended 31 December 2016

Contents



Overview and Highlights

- 2 Highlights: Porta at a glance
- 6 Chairman's Statement
- 8 Group Overview

Strategic Review

- 12 Chief Executive's Business Review
- 14 Business Performance Review
- 26 EBITDA and PBT Review
- 28 Principal Risks and Uncertainties

Directors' Report

- 33 Board of Directors
- 34 Directors' Report
- 37 Statement of Directors' Responsibilities
- 38 Report of the Remuneration Committee

Financial Reporting

- 40 Independent Auditor's Report
- 41 Consolidated Statement of Comprehensive Income
- 42 Consolidated Statement of Financial Position
- 43 Company Statement of Financial Position
- 44 Consolidated Statement of Cash Flows
- 45 Company Statement of Cash Flows
- 46 Consolidated Statement of Changes in Equity
- 48 Company Statement of Changes in Equity
- 49 Notes to the Financial Statements

Information for Shareholders

- 97 Notice of Annual General Meeting
- 102 Company Information
- 103 Form of Proxy for use at the Annual General Meeting

Highlights

Organic growth¹

+4%

Gross profit +10%

£29.7m

Client base
up to 1,055

+26%

Reported EBITDA

£0.8m

£2.3m

Adjusted headline EBITDA

£0.7m

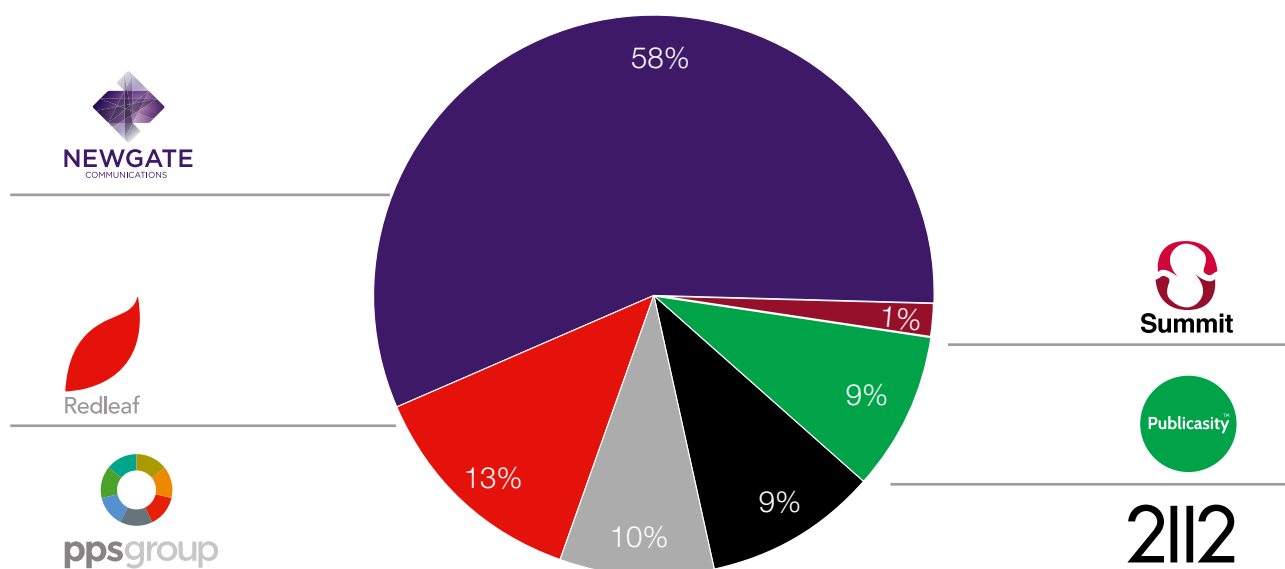
Operating cash flow

£1.2m

Adjusted headline pre-tax profit

¹ In constant currency terms.

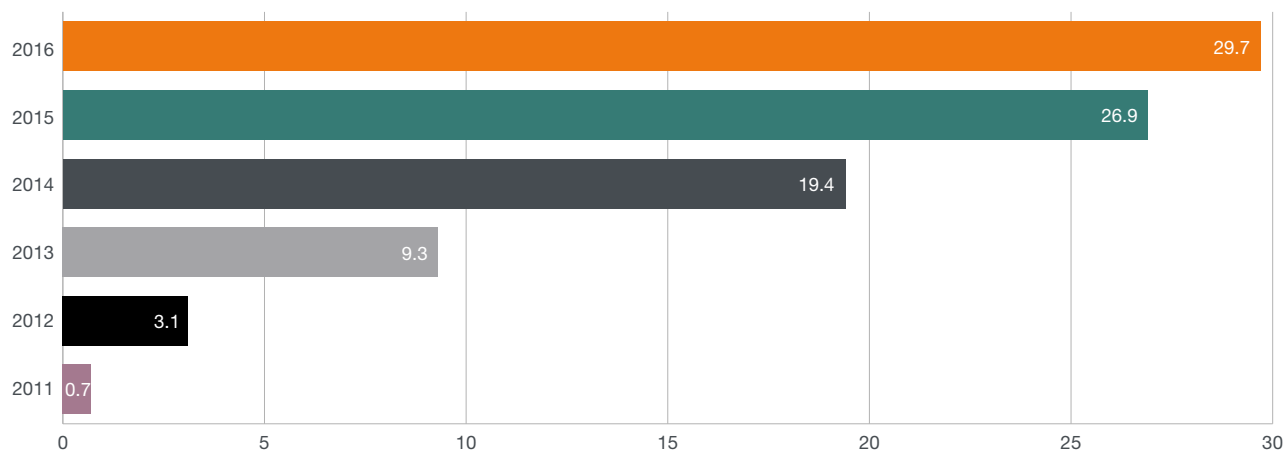
GROSS PROFIT BY BRANDS



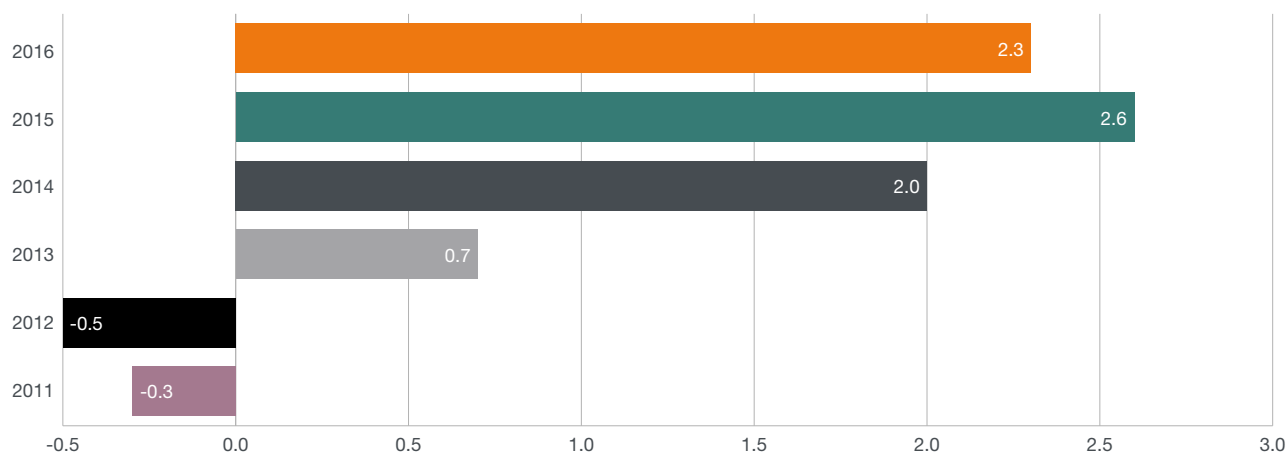
GROSS PROFIT BY GEOGRAPHICAL SEGMENT

	2016 (m)	2015 (m)	2014 (m)
UK	£18.3	£18.1	£11.8
Europe	£0.3	£0.3	£0.5
Asia-Pacific	£11.1	£8.5	£7.1
	£29.7	£26.9	£19.4

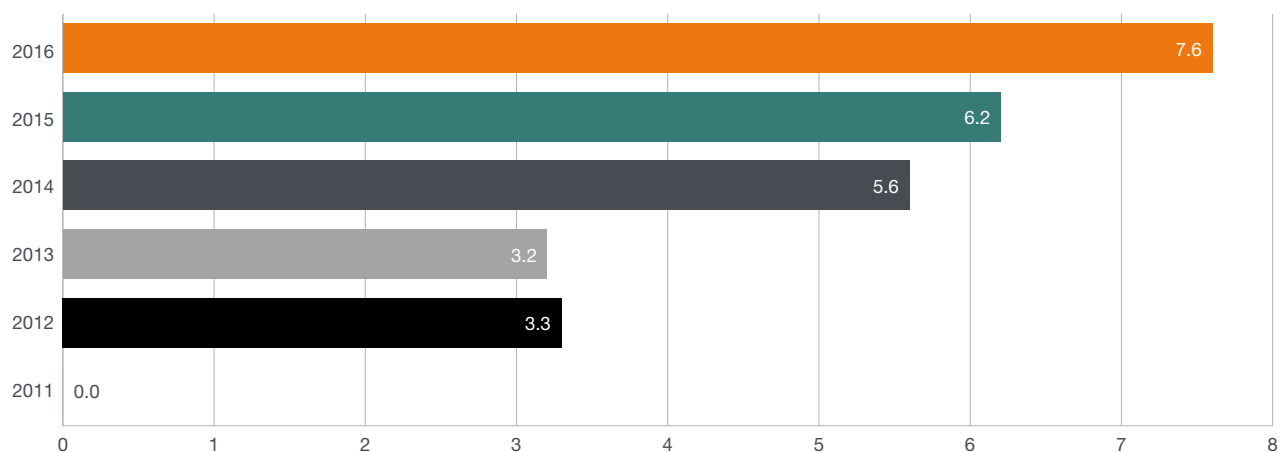
GROSS PROFIT, £ MILLION



ADJUSTED HEADLINE EBITDA, £ MILLION



NET DEBT, £ MILLION



Our objectives

Continue to develop our integrated model within our equity partnership structure

Manage our group companies to drive revenue and reduce costs

Promote a culture for talent attraction and retention

Consider strategic developments that add value and accelerate growth



PORTA

Our
objectives

Chairman's Statement

For the year ended 31 December 2016



John Foley
Chairman

Introduction

Porta achieved healthy levels of turnover, gross profit and adjusted EBITDA in the year ended 31 December 2016. No companies were acquired in the period and so shareholders can now clearly see both the underlying trading performance of the Group and the accounting adjustments that reduce a profitable adjusted EBITDA of £2.3 million to a loss before taxation on continuing operations of £5.1 million.

Financial overview of results

Turnover of £37.1m was 9% higher than for the previous year (2015: £34.1m). Gross profit increased by 10% to £29.7m (2015: £26.9m). Adjusted headline EBITDA reduced by 10% to £2.3m (2015: £2.6m) mainly because of the substantial investment made in strengthening the team at Newgate London and because of a slow down in activity at PPS after the BREXIT referendum decision. The loss before taxation on continuing operations was £5.1m (2015: £2.9m loss) and the loss per share on continuing and discontinued operations was 2.2p (2015: 1.6p loss).

The Chief Executive's Business Review concentrates on the highlights achieved by individual businesses during 2016 but I would like to note the very good trading performances of Newgate Australia, Newgate Singapore, Publicasity and Redleaf Communications as well as the improving momentum to our Newgate London operations.

Porta is a Group that was founded in December 2010 and was then rapidly built by both the acquisition of a number of businesses and by the start up of a number of its current businesses. The 2016 results include a £2.6m amortisation and depreciation charge and £2.1m of that amount relates to the non-cash charges associated with the write down of customer relationships and brands resulting from the creation of intangible assets when acquisitions were made.

The Board has conducted a thorough impairment charge review of all cash generating units within the Group and a further £2.3m charge has been made in the 2016 accounts to reduce the carrying value of intangible assets where necessary; the performance of Summit Marketing Services and PPS required adjustment as a result of current and anticipated trading performance levels. Restructuring and Acquisition costs of £1.4m included a provision of £0.3m in relation to a vendor loan guarantee, £0.3m of contingent payments to two employees of PPS for conditions existing at the date of the acquisition of PPS, £0.2m of contingent consideration revaluation relating to Redleaf Communications and £0.2m of share based payment expense as well as other one off, non-trading items associated with previous acquisitions and company restructurings.

Despite generating £1.2m of net cash from operating activities (2015: £1.3m), year end net debt was £7.6m (2015: £6.2m). It is clear to the current Board that an equity injection of up to £3m should be sought to support ongoing growth, and discussions with strategic investors are underway to enable this to happen.

To this end, in order to maintain the Group's flexibility to raise further funds for such an equity issue, as well as being able to issue shares in relation to legal obligations that already exist including contracted follow-on acquisitions, the Board proposes to seek authority at the forthcoming AGM to issue up to 163.1 million new shares (being approximately 50% of Porta's existing issued share capital) with 130.4 million of the authority to issue new shares (approximately 40% of Porta's existing issued share capital) being on a non-pre-emptive basis.

The Board has also reached an advanced stage of discussions with a senior debt provider to establish a new working capital facility. The Group's current main funders are Retro Grand Limited ("Retro Grand") and Hawk Investment Holdings Limited ("Hawk"). Loans advanced by Retro Grand and Hawk carry high interest rates which reflect the fact that these loans were originally anticipated to be equivalent to mezzanine debt. Retro Grand and Hawk have indicated that there will be a substantial reduction in the interest rate charged when appropriate equity investment has been raised.

Board changes

Bob Morton retired as Non-Executive Chairman during the year and David Wright became Executive Chairman with Steffan Williams becoming Chief Executive; since the year end David has also left the Board and I was appointed as Non-Executive Chairman. Brian Blasdale also retired as a Non-Executive Director during 2016.

I would like to thank everyone who has now left the Board for the contribution that they made; in particular, there would be no Porta if it had not been for the drive and commitment shown by Bob and David and I thank them for all their hard work over the years.

Also since year end, Gene Golembiewski has changed roles from CFO to a role involving wider commercial responsibilities, and remains as both an Executive Director and as Company Secretary. Rhydian Bankes, previously Porta's Head of Group Finance, has joined the Board as CFO.

It is for a new Board to take Porta to the next stage in its development, to substantially increase profitability and thus realise the potential that was anticipated by Bob and David.

Strategy

Porta was established with the aim of creating an integrated international communications and marketing Group with clear synergies across all businesses and offices. The Group wants to recruit the best available talent in its sectors and to target ever stronger client opportunities.

This will be achieved by our Board and senior management team recognising that the following things need to be achieved together:

- that whilst underlying trading is healthy it can substantially improve because we have recruited some excellent hires and made the necessary investment in staff to produce further growth;
- that the investment in our people is an ongoing process that requires an appropriate equity incentive for senior management teams;
- that the Group Board is focused on the practical measures necessary to strengthen the balance sheet and the Group's working capital facilities;
- that a renewed focus on cost and cash control is needed together with an improvement in the Group's support structures to support further profitable growth; and
- that we are all committed to ensuring that the Group is something that should have a value worth more than just the sum of its parts, which can work together with our clients on a multi stakeholder and/or international basis and which is above all else a Group which is both an exciting place to work and which provides a great service to its clients.

Steffan Williams will lead our management teams in the development of the specific plans necessary to achieve these aims.

People

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

Corporate Governance

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

Outlook

2017 has started well with trading performance substantially ahead of both last year and our internal expectations.

John Foley

Chairman

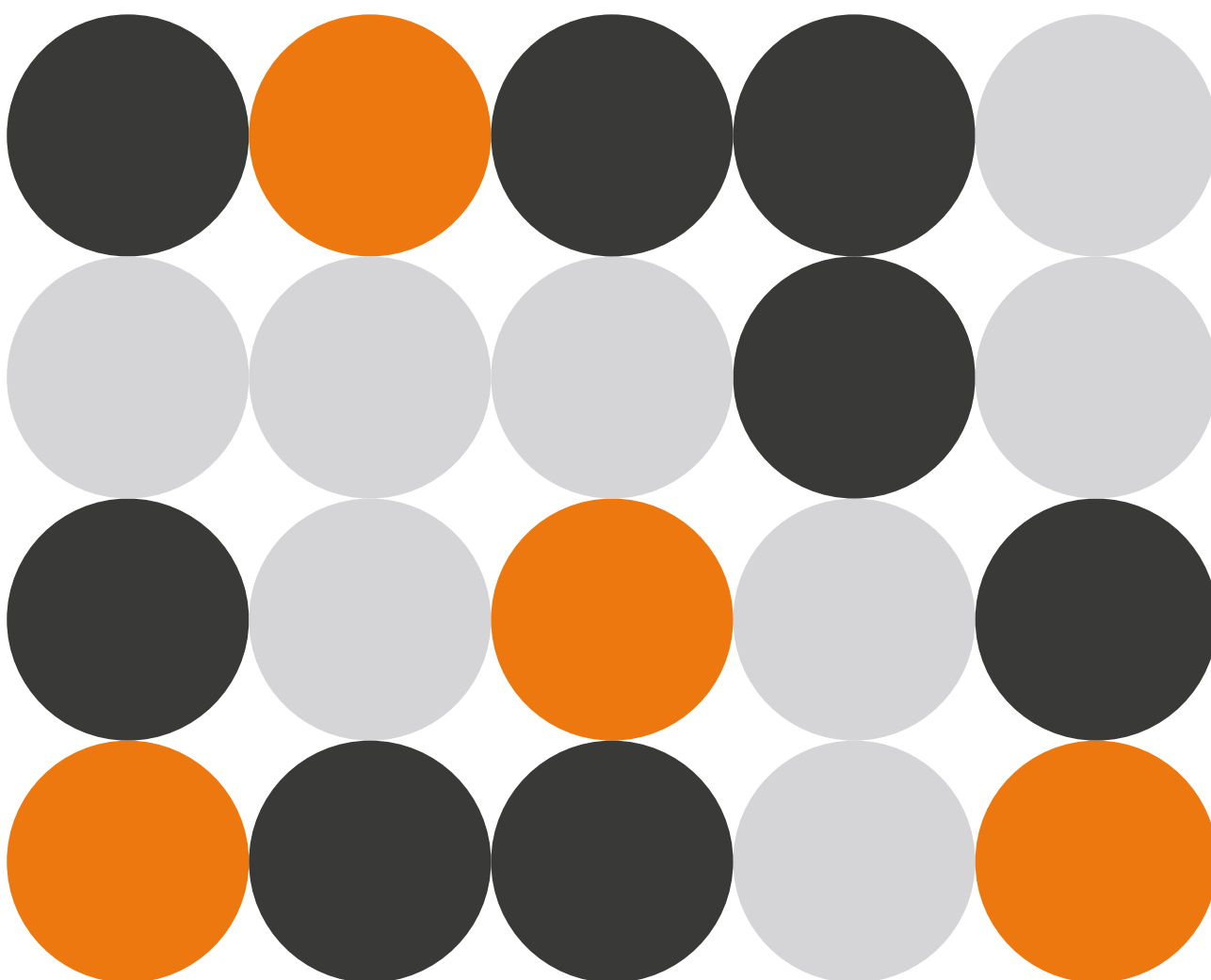
10 May 2017

Group Overview

Who we are

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

Today we are an international communications and marketing business in 5 countries.



Our Values

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



Integrity,
respect and
fair treatment

Working together
as one team effectively,
sharing responsibility,
accountability and
reward

Building relationships
with all stakeholders

Fostering and
strengthening long-term
strategic alliances with
key partners

Our Purpose

Bringing good people together
... to meet our clients' demands
and global ambitions
... to build a world class business
... to deliver maximum
shareholder value

Our Vision

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

Since it was founded Porta has grown from:
3 employees in 2010 to **274** in 2016

1 office to 16 (11 of which were start-ups)

Operating in 5 countries

Reported EBITDA of £0.8m

Headline pre-tax profit of £0.7m



Strategy



Helping clients to communicate more effectively as:

- Stakeholder groups are increasingly interwoven
- Communications challenges require multi-discipline, multi-territory solutions
- Social media increases the 'noise levels'
- Technology enables new opportunities but also disrupts traditional communications techniques
- Regulators and governments increasingly affect specific markets

Chief Executive's Business Review

For the year ended 31 December 2016



Steffan Williams
Chief Executive Officer

“This was largely a year of consolidation for Porta in which the company took the first meaningful steps towards realising the synergies and commercial opportunities that our multi stakeholder, cross-border business provides. All growth was organic.”

2112

2016 was a year of focused reorganisation for 2112. The agency reduced people numbers and costs without significantly damaging fee income.

Key clients include BNY Mellon, Towergate Insurance and Hermes Investment Management. Significant wins during the year included Earthport, Hermes Investment Management and Legal & General Investment Management.

Newgate Abu Dhabi

Newgate Abu Dhabi had to withstand very difficult trading and economic conditions due to a continuing recession in the region in which budgets were severely cut or put on hold as a result of a low oil price. Despite these conditions, and as one of the newest offices in the Newgate network, the Abu Dhabi team demonstrated resilience by delivering a modest profit in only its second full year. Newgate Abu Dhabi continued its work on high profile mandates in the region and is delivering on its strategy to maintain an equitable balance between public and private sectors work.

Newgate Australia

The key to success for our Australian business continues to be the integrated offering of financial and corporate communications, public affairs and research and the newly introduced Newgate Engage. Newgate Engage was successfully launched in February 2016 to take advantage of the huge demand for skilled community and stakeholder engagement to support the massive infrastructure investment programme underway in NSW and Victoria.

Other project highlights for the year include advising on the successful transaction for Ausgrid, Australia's largest electricity network business whilst the largest client win for the year in Australia was the mandate to work with the Australian Banking Association (ABA) assisting the industry body to navigate through a number of high profile media and political issues including calls for a Royal Commission into the banking sector.

The current year should see the benefit from the investment in key executives along with the new Engage business.

Newgate Hong Kong and China

Newgate Hong Kong and China enjoyed a strong first half of the year, bolstered by projects for Elliott and Franklin Templeton as well as work for distress debt funds involved in the Kaisa Group bond default, the largest ever real estate default in China. The third quarter, however, was disappointing with delays on some financial communications mandates. This was not unexpected given the widespread and well-published retrenchments seen in Hong Kong across the investment banking sector during the course of the year.

However, a marked improvement was seen in the final quarter both in new retained business as well as project work.

New clients won during the year included companies from across the industrial spectrum as well as a mixture of both global and Chinese financial institutions – most notably projects with global insurance group, AIG, and Chinese private equity firm, Hony Capital, as well as retainers with asset management firm, AMP Capital, and global private equity firm, Permira.

Newgate Singapore

Newgate Singapore made good progress during 2016, adding to the retained client list, the diversity of client assignments, revenue from client work, profitability and staff numbers.

The team advised on over a dozen M&A situations in Singapore during the year, involving companies drawn from the commodities, hospitality real estate, land transport, logistics real estate, precision manufacturing, real estate asset management and shipping sectors.

Newgate UK

Newgate UK produced a 23 per cent growth in Gross Profit and £1.6m turnaround in reported EBITDA on the year. The quality of the new team was reflected in the number of major transactions handled by Newgate, including the \$6.3bn acquisition by retained client, Sompo, the largest non-life insurance company in Japan. The transactions we worked on from London during the course of 2016 were part of more than \$20bn of deals worked on by Newgate globally during the year.

Client mandates during the year included supporting Glencore as it implemented its debt reduction strategy. Away from the financial markets, work for a gas exploration company helped it secure planning permission.

The potential of the integrated offering, including local engagement, was exhibited in Newgate UK supporting the Link UK project, backed by Intersection, an Alphabet company, which is working with BT to replace ageing telephone boxes throughout the UK with ultra-modern digital communications kiosks.

PPS suffered badly from the impact of the EU referendum/ Brexit with a number of projects, in particular planning consent, being put on hold over the period. Since the year end, PPS has been rebranded as Newgate Engage and has been integrated into the Newgate offering.

Publicasity

Publicasity delivered another strong 2016 financial performance. Total fee income remained consistent, but with a 26 per cent increase in EBITDA versus the previous year. The top ten clients represented 77 per cent of total income, with no one individual client representing more than 13 per cent.

Notable wins including major fashion and home retailer, TK Maxx, the premium bed retailer, Feather & Black, the German stationery giant, Staedtler, and Parisian confectioner, Pierre Herme.

Redleaf

Redleaf had another exceptional year with total sales up 12 per cent and EBITDA up 15 per cent.

During 2016, Redleaf's achievements in delivering meaningful and measurable campaigns for its clients were recognised with several industry awards including Quoted Company Alliance PR Firm of the Year 2016 and Best Adviser Financial PR in the UK Stock Market Awards.

New retainer clients included Western Union, State Street and Allsop. Meanwhile the financial team worked on such transactions as Nagatanien's purchase of Chaucer Foods and Daisy Group's purchase of Alternative Networks.

Summit

Summit had a solid year. Its roster of key clients includes AXA and the Institution of Civil Engineers (ICE).

Steffan Williams

Chief Executive Officer
10 May 2017

Business Performance Review from the Chief Executive

For the year ended 31 December 2016



2112



Business Performance Review

For the year ended 31 December 2016



Newgate UK

Newgate in the UK continued to build market reputation throughout the year, working on high profile deals and campaigns, progressing and deepening our business and management capabilities, and continuing to recruit the best talent to join our growing team.

The number of mandates we have received from the trustees of major pension schemes, including those of five FTSE100 companies, continues to grow. Given the challenging environment facing many such schemes this has proved to be a particularly valuable specialism.

We also advised on several major transactions. Most prominently our retained client Sompo, the largest non-life insurance company in Japan, announced in October 2016 that it proposed to acquire Endurance Specialty Holdings, the Bermuda-based insurance and re-insurance business. Newgate managed all aspects of the communications process for the US\$6.3bn acquisition, utilising a blended team from our financial, corporate and public affairs practices to ensure all elements of the brief were covered comprehensively, including the investor market, internal communications and regulatory affairs.

The transactions we worked on from London during the course of 2016 were part of more than \$20bn of deals handled by Newgate globally during the year. As a result, Newgate was included in the top 20 mergermarket global league table for PR advisors in 2016, showcasing the growing strength and breadth of our offering here and around the world.

In addition, we supported Glencore, the mining company and commodities trader during its financial turnaround, which resulted in a trebling of its share price. Away from the financial markets our work for Third Energy, the gas exploration company, helped it secure the first planning permission for five years to utilise hydraulic fracture technology at an onshore site.

The potential of our integrated offer, including the local stakeholder engagement capabilities of PPS Group alongside financial PR, public affairs and corporate communications, was exhibited in our support for the Link UK project, backed by Intersection, an Alphabet company, which is working with BT to replace ageing telephone boxes throughout the UK with ultra-modern digital communications kiosks.

During the course of the year we appointed a new Chief Executive, Gavin Devine, the Chief Operating Officer of Porta and former CEO of MHP Communications. We created a new public affairs team, as well as making a number of other important hires. We continued to work closely with PPS Group, more deeply integrating its capabilities into Newgate's own. We also prepared for the merger of 13 Communications into the team, which was completed on 1 January 2017, bringing to Newgate a new focus on creativity and a new area of specialism, in brand communications and consumer PR.

As a result of all of these developments, the business ended the year and entered 2017 in a very positive position in terms of our product offer, our management team and our market position.

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2016

Newgate Australia

Newgate Australia enjoyed another very strong year of growth, cementing its position as the leading integrated communications company in the Australian market.

Staff numbers increased from 52 to 68 across its office network which includes operations in Sydney, Melbourne, Canberra, Brisbane and, as of late 2016, a new office in Perth.

The growth has been organic with the key to the success being the integrated communications offering of financial and corporate communications, public affairs, research and the newly introduced Newgate Engage. Newgate Engage was successfully launched in February 2016 to take advantage of the huge demand for skilled community and stakeholder engagement to support the massive infrastructure investment programme underway in NSW and Victoria. The Engage business has grown quickly and is now working on a number of major infrastructure projects including the \$10bn plus Sydney Metro on behalf of the NSW Government and for a private sector consortia business bidding for the Melbourne Metro rail project.

Other project highlights for the year include advising on the successful transaction for Ausgrid, Australia's largest electricity network business. Ausgrid was leased by the NSW Government to a private sector consortium for \$16.2bn in October in what was one of the largest privatisations and trade sales concluded anywhere in the world in 2016. Ausgrid is the second of a tranche of three major electricity network transactions the Newgate team has been engaged on with the final asset, Endeavour Energy, now in the bidding phase.

Our largest client win for the year was the mandate to work with the Australian Banking Association (ABA) assisting the industry body in navigating through a number of high profile media and political issues including calls for a Royal Commission into the banking sector. The brief includes a cross section of practice teams and offices involving our

corporate, public affairs, market research and digital teams. Given the precarious nature of the Australian Parliament with the Government holding a slender one seat majority, the issue looks certain to remain prominent for the foreseeable future.

Later in the year, the crisis management team was engaged to assist the listed entertainment and theme park operator, Ardent Leisure, deal with a terrible tragedy when four people died on a raft ride at Dreamworld in October. This very sad event is now the subject of a coronial inquiry and our team remains engaged assisting the operator through this process.

The next Commonwealth Games are scheduled to be held on the Gold Coast in Queensland in April 2018. This major global sporting event will run for ten days and the Newgate Australia team has been engaged to assist with media and issues management as well as corporate positioning as the countdown begins.

Newgate Research had another stellar year and represents 18 per cent of the total revenue for the business. The team was also named 'Employer of the Year' at the annual industry awards in August. Its new product offering NewRep has also been embraced by many corporates seeking to obtain an objective assessment of the drivers that can shift their reputation score.

Looking forward, the business is investigating introducing even more new offerings with plans for a distinct digital business and even a change management and internal communications offering under consideration.

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





"Banks should be doing more for customers."

We hear you.

Together, we're making Australian banking better.

We know people want to see improvements in Australian banking. That's why we're working on a wide range of initiatives to change things for the better.

From better products and services, to improving the culture inside the banks, our goal is to earn your trust again.

The strength and stability of Australian banks is the envy of the world. Our support and investment in the economy ensures a successful future for all Australians.

But it all starts with our customers. That's why we're listening to your concerns, and taking action.

See what we're doing to make banking better at betterbanking.net.au


COMMERCIAL BANK


200


W


nab


ANZ


SUNCORP BANK


HSBC


st.george


MACQUARIE


BOQ


ING DIRECT


NAB


Bank of Melbourne


Bankwest


Rendgell Adelaide Bank


Rabobank


Bank of Sydney


Quidos Bank


Defence Bank


bankSA


RURAL BANK


Arab Bank Australia


AUSTRALIAN BANKERS' ASSOCIATION INC.

WE'RE MAKING BANKING BETTER FOR AUSTRALIA

17

Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2016

Newgate Hong Kong and China

In 2016 Newgate's business in Greater China continued to build on the progress it made in 2015, particularly in developing its brand recognition in highly competitive markets. The business won a number of new retainers and high profile corporate and financial communications project mandates.

The business enjoyed a strong first half of the year, bolstered by projects for Elliott, Permira and Franklin Templeton as well as work for distressed debt funds involved in the Kaisa Group bond default, so far the largest real estate default in China. The third quarter, however, was disappointing with delays on some financial communications mandates and new business decision-making cycles taking longer. This was not unexpected given the widespread and well-publicised retrenchments seen in Hong Kong across the investment banking sector during the course of the year.

Notwithstanding this brake on progress, intense marketing efforts paid off in the fourth quarter with significant new retained and project based clients joining the firm's client roster. These included companies from across the industrial spectrum as well as a mixture of both global and Chinese financial institutions – most notably projects with global insurance group AIG and Chinese private equity firm Hony Capital, as well as retainers with asset management firm AMP Capital, and global private equity firm Permira. Beyond Hong Kong, the office successfully referred a number of projects for existing clients to Newgate's offices in Singapore, Australia and London.



Further advances were also seen for the business in the social media space, where after years of reticence, the firm saw a meaningful shift amongst its clients in the financial and professional services space towards embracing social media platforms in Greater China, reflective of broader changes in the way news is digested in that market. We successfully completed a number of projects in this regard, incrementally building on our existing social media work and are confident that this will continue to broaden our revenue stream in future.

The business continues to search for high quality recruits at the senior and mid-levels across our corporate, financial and social media communications specialties.

Whilst fees and margins were overall down year-on-year, the fourth quarter upswing in activity has served the business well as it entered 2017, with performance in the first quarter running ahead of plan. The business is well set for further growth in 2017.



Newgate Singapore

The Singapore operations grew on all fronts during 2016, including the client list, diversity of assignments, revenue from client work, profitability, staff numbers, and even office space.

Whilst the local and regional economies continued to experience low growth, the demand for Newgate Singapore's services remained robust throughout the year, with a noticeable increase in activity levels from around the middle until the end of the year. As with previous years, most of the client assignments were related to corporate communications, capital markets, mergers and acquisitions and investor relations for listed companies.

The company's corporate communications practice continued to build on existing strengths in the financial services, professional services, real estate and transport sectors. It advised on a wide variety of initiatives, including profile-raising campaigns, internal communications and issues management briefs. It also assisted on several high-profile situations revolving around commercial or family disputes and corporate governance matters, and also provided litigation support on a number of hotly-discussed legal cases.

Newgate Abu Dhabi

Newgate Abu Dhabi, in its second full year as part of the Porta group, had to contend with very difficult economic conditions due to a continuing localised recession in which most government departments and semi government entities had their budgets severely cut as a result of a low oil price which pertained for most of the year. This also caused departmental budgets to be re-assessed early in the year and projects put on hold. This impacted Newgate Abu Dhabi's revenue and profitability and meant significant cost reductions had to be introduced to enable the company to withstand the very challenging trading conditions. To its credit, as one of the newest offices in the Newgate network, the Abu Dhabi team demonstrated resilience by delivering a modest profit.

The increase in activity during the latter half of the year was mainly related to the capital markets and listed companies, as Singapore started to experience a wave of mergers and acquisitions, and challenges in the oil and gas and shipping sectors. Newgate advised on over a dozen M&A situations in Singapore during the year, involving companies valued at around S\$20 billion in aggregate. These companies were in the commodities, hospitality real estate, land transport, logistics real estate, precision manufacturing, real estate asset management and shipping sectors.

The company also advised on a number of corporate and financial restructuring exercises for our existing listed clients. Our investor relations practice also grew during the year, and was able to count amongst its clients 2016's best performing stock on the Singapore Exchange.

In response to the high volume of activity, the company decided to move to larger premises during the second half of 2016, enabling us to grow our team size towards the end of the year.

During the year, Newgate Abu Dhabi continued its work on the prestigious mandates for the Department of Municipal Affairs and Transportation, and for ZonesCorp and, as part of its strategy to maintain a more equitable balance between public and private sector work, secured mandates from Metito, the international water management solutions group and AlixPartners, the international management consultancy.

The year ended on a positive note with the team winning a retained mandate from the Communications Regulatory Authority of Qatar.

Business Performance Review COMMUNICATIONS (continued)

For the year ended 31 December 2016



Redleaf Communications

The Agency acts for clients across a broad range of sectors but is organised under three core specialist teams to reflect core areas of expertise: Capital Markets, Professional & Financial Services and Property.

Capital Markets

The team continued to build on its growth over prior years with notable new mandates including IG Design Group, PureCircle, Anglo Pacific and finnVentures. Transactions included Nagatanien's purchase of Chaucer Foods and Daisy Group's purchase of Alternative Networks. Complementing its Financial PR mandates, notable campaigns included a year-long campaign for charity SMIRA and support of the rebranding of IG Design Group. Continuing the momentum from the prior year, the average size of client has increased further and client retention remained exceptionally high.

The team's work in taking its clients' messages to targeted audiences has continued over the year with retail investor lunches, sector days and networking events with Private Wealth Managers.

Professional & Financial Services

The team continued to diversify its client base into fast growing, emerging sub-sectors in Financial Services such as FinTech. The team also continues to innovate new products and services in response to the complex needs clients face in engaging multiple stakeholders and managing digital communications challenges.

During the year, the team also serviced leading blue chip clients in Professional & Financial Services, including Western Union, HSBC Asset Management, the Chartered Insurance Industry and Charles Stanley.

New business wins included top-three global asset manager State Street Global Advisors and leading global wealth management software provider Iress.

Property

The team continued to build its roster of high-calibre clients during the year, becoming the retained communications consultancy for Allsop and undertaking projects for developments including Battersea Power Station and The Avenue in Tottenham Court Road. The property team's work included communicating around Patron Capital and Heineken's bid for Punch Taverns, managing Bouygues Development's rebrand to Linkcity, and making international headlines during the excavation and preservation of Shakespeare's Curtain Theatre, part of The Stage development in London's Shoreditch.

With a broad selection of new business wins, strong retention of existing clients, new team members, a 35% increase in fee income and a 46% increase in profit compared to the previous year, 2016 was exceptional for the Redleaf property team.

2016 was a record year for Redleaf and 2017 looks even more promising with a very healthy new business pipeline, and an exceptionally gifted and motivated team in place to deliver another year of powerful, award-winning results.





Publicasity

Publicasity delivered another strong 2016 financial performance. An increasing number of joint pitches took place with other Porta group companies as well as some joint introductions to existing clients.

The work carried out remained consistent with previous years and most of the key brand campaigns included a mixture of media relations, influencer engagement, celebrity and brand partnerships, events, experiential, design services, broadcast, video, content creation and community management with the ultimate aim of driving behavioural change, increasing trust, community development and commercial impact.

Six new clients were added to the roster via new business acquisition, with the more notable wins including major fashion and home retailer TK Maxx, the premium bed retailer Feather & Black, the German stationery giant Staedtler and Parisian confectioner Pierre Herme.

Other focuses for 2016 included developing the company's external marketing which comprised a new website, company showreel and the development of the company credentials and case studies. Publicasity also focused on

monetising its creative services offer, which includes offering clients digital, video and design expertise as another important revenue stream.

Key Assignments and Creative Campaigns in the year included

Grosvenor Casinos – Call of the Wild

Grosvenor Casinos challenged Publicasity to launch its Christmas packages to consumers through a creative campaign. The client wanted a 'digital-first' activation to drive Christmas party bookings as well as brand awareness and footfall during the busiest time of the year. The Call of the Wild strategy focused on a series of wild animals that mirrored the personality traits of each of the in-casino games. The team then re-created the Coolidge iconic 'Dogs of Cards' painting at London Waterloo station, substituting the painting's dogs for the Grosvenor Casinos Call of the Wild animals. The one-day stunt meant consumers could interact with the brand whilst we gifted passers-by with a 'play to win' bounceback card to drive online traffic, offered an opportunity to win a VIP experience through social media engagement, as well as editorial



Business Performance Review COMMUNICATIONS *(continued)*

For the year ended 31 December 2016

outreach support through image syndication. The stunt generated 400 mentions across social media with a reach of over 3 million, as well as stand-out national media coverage.

HomeSense Thrilling Spaces Event

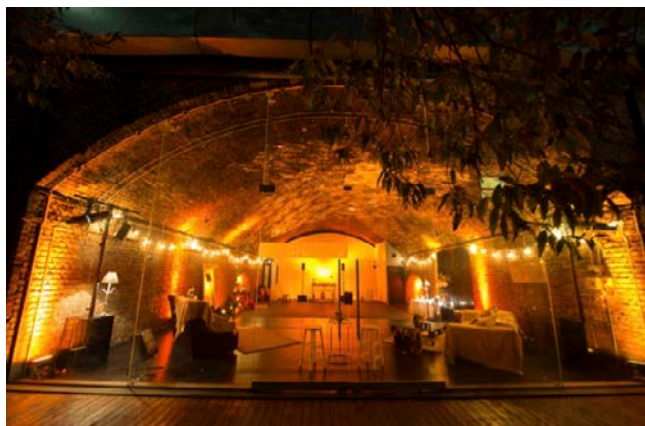
In order to bring to life HomeSense's creative platform of 'Experience The Thrill', Publicasity created a pop-up consumer experience that was open to the public for two nights and saw us transform the railway arches of ProVision Studios in Hoxton into a magical secret garden using beautiful products from HomeSense stores. In contrast to the sub-zero temperatures outside, guests were treated to summer themed cocktails and quirky canapés encompassing the likes of smoked trout lollypops and green tea macarons whilst wandering through an abundance of flower and greenery, a candlelit picnic area and jewel-toned lounge space.

Launching the Britvic Soft Drinks Review

One of the more weighty challenges the company undertook last year was with long-term client Britvic who challenged the team to take its annual category report, the Britvic Soft Drinks Review, to the next level. Having previously comprised one industry report, Publicasity embraced the challenge of creating three separate reports to provide the drinks trade with a full 360° view of the retail landscape for soft drinks including the Leisure, Grocery and Convenience channels.

Neff Cookaholics Campaign

Neff Cookaholics Campaign brief was to maximise consumer awareness of NEFF's existing ATL Cookaholics platform and to increase consumer engagement. The campaign reached over 18 million consumers through 73 pieces of national, regional and online coverage and delivered ¾ of a million impressions on social media over just four months.





PPS Group

In 2016 PPS continued to work with some very large and important clients and projects. For example, following a successful framework re-pitch in 2016 we continued our work for National Grid across the UK. This included securing consent for IFA2, a new interconnector to France, and various gasholder demolition projects. In addition, we delivered a national campaign for the Environmental Services Association, Right Waste Right Place, designed to raise awareness among UK SME's about duty of care waste legislation, backed by multiple sponsors and nearly 40 ambassadors. PPS has been working with historic building restoration specialists, City & Country, for six years, delivering consumer PR and strategic consultation and engagement. Most recently we have been supporting planning applications to transform four former prisons, bought from the Ministry of Justice, into striking new homes.

However, PPS Group faced challenging trading conditions particularly as a result of the uncertainty in the run up to and after the EU referendum on Brexit in June. Many developers held back on committing to new projects and existing projects were delayed; this was an industry-wide issue. The consequences for us were very immediate, as consultation programmes simply did not happen, depreciating financial performance in the middle of the year. Activity picked up again by the end of 2016, and PPS Group responded well, but overall the year was somewhat difficult.

In this context, and following the appointment of a new Chief Executive of Newgate with oversight of PPS Group, we reviewed in depth our approach to the company name and brand. Our conclusion was that to achieve the full benefits of integration with the broader Newgate offer and of expanding our regional PR and local engagement capabilities it made sense to merge fully under the Newgate brand. We therefore began towards the end of 2016 to plan for this to happen in Q1 2017, with the enthusiastic support of the PPS management and wider team.



Business Performance Review MARKETING AND ADVERTISING (continued)

For the year ended 31 December 2016

2112

2112 Communications

2016 was a year of focused reorganisation. While the agency continued to successfully attract and service clients, the company consolidated into a core team that allowed the company to reduce people numbers and costs without significantly damaging fee income.

For the second consecutive year, BNY Mellon was the largest account in the agency in terms of billing and activity. The team continues to be the creative partner of BNY Mellon Investments EMEA and have daily contact with their marketing team in the UK and Europe. They also work with Newton Investment Management, Insight Investments and Standish, three of its investment boutiques.

Towergate Insurance became a client during 2015 and made a significant contribution to the income in 2016. During the year the company undertook many communication projects for Towergate, the most significant being the creation of a 'digital toolkit', which acts as a central hub for all of their communication and sales material.

2112 have produced all the below-the-line communications for Hermes Investment Management for the past two years and towards the end of 2016 had the opportunity to pitch

for their brand positioning and above-the-line advertising. Following a four-way strategic and creative pitch against three other leading creative agencies we were awarded the business. Hermes' new brand will launch at the beginning of Q2 in 2017.

Blind Veterans UK continues to be the company's largest not-for-profit client. During 2016, 2112 created 17 mailing packs for the charity that supports anyone who has served in the Armed Forces and is now living with significant sight loss. The company has a good relationship with Blind Veterans UK and the account is set to grow in 2017.

Legal & General Investment Management became a client at the end of Q3 and 2112 have produced several animated videos for a variety of their products and services and has also worked with them on website architecture.

2016 was very successful for 2112 in terms of new business, with some significant wins: Earthport, Hermes Investment Management, Investment Forum, Legal & General Investment Management, Mi-Pay, Quilter Cheviot and Sports Resolutions.

A consistently high level of client satisfaction has resulted in many new business recommendations throughout the year.



OUTCOMES BEYOND PERFORMANCE

100% Outcomes beyond performance target

75% Outcomes beyond performance target

OUR COMMITMENT TO HOLISTIC RETURNING AIMS TO DELIVER EXCELLENT INVESTMENT PERFORMANCE AND STEWARDSHIP WHILE HELPING TO IMPROVE THE LIVES OF MANY

HERMES INVESTMENT MANAGEMENT



Summit Marketing Services

Summit had continued success in 2016, building on the strong foundations established in 2015 of widening our core offering to encapsulate digital and video capabilities. This led to some high-profile new business wins. The company continued to capitalise on our location, which is a thriving business hub of the South East, running a series of targeted new business campaigns – following this activity we are now working with a local law firm, which is one of the biggest employers in the region.

AXA remains a core part of our business with the AXA PPP Healthcare Individual Acquisition team retaining us as their go-to agency for campaign activity. We undertook a series of high-profile projects for AXA Assistance, which included an animated customer journey film to showcase their service to Lloyds Banking Group and the re-design of their B2C motor breakdown website. AXA continues to value us as a reliable and responsive extension to its marketing teams.

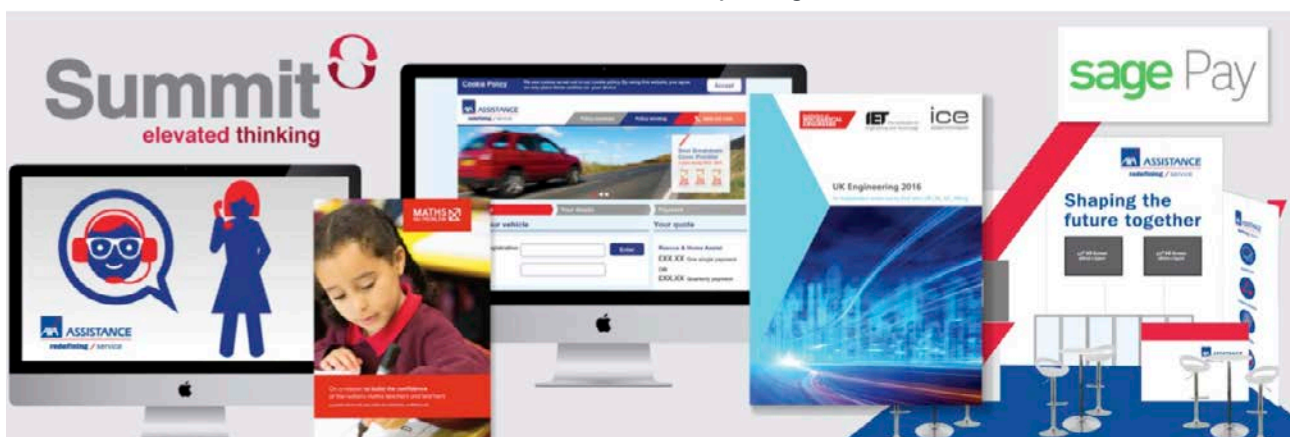
The company was delighted to be successful in winning the media and creative for Sage One, and worked with them throughout the summer and autumn on a series of national radio campaigns to promote their payroll and accounting products.

In March, following recommendation by another client, Summit was invited to pitch to the Institution of Civil Engineers (ICE) for their State of the Nation 2016 Report. The company was successful and delivered all creative for the report, summary, animated film, trailer and presentation to very tight timeframes. ICE has since engaged us to work with them on further projects.

Summit's locality helped secure new business with some interesting and thriving local businesses. Maths – No Problem is a fast-growing international business based in Tunbridge Wells, promoting the Singapore maths methodology to primary schools. They appointed Summit in February 2016 to design their Corporate Brochure and Training materials and Summit continues to work closely with them.

Following some targeted campaign activity to local businesses to raise awareness about Summit and their significant capabilities which are available 'on their doorstep', the company secured the opportunity to present to Cripps law firm in December. Summit are now working with Cripps and look forward to providing an invaluable service to them.

Notwithstanding the above, Summit suffered a slowdown in performance towards the end of 2016, which will likely carry through into 2017.



EBITDA and PBT Review

For the year ended 31 December 2016



Gene Golembiewski
Company Secretary

EBITDA and PBT performance for the year

The Group reported positive EBITDA for the third consecutive year. However, the Board does not believe that the stated results truly reflect the underlying performance during the year as they include a number of exceptional and non-recurring costs. The Directors believe that it is more appropriate to analyse the results of the Group before start-up losses, acquisition costs, restructuring costs, non-recurring property costs, legal and other consultancy costs, share based payment expense, impairment and amortisation of the acquired intangibles in order to better understand the Group's financial performance. Taking these adjustments into account gives a core underlying adjusted headline EBITDA of £2.3 million (2015: £2.6 million) and adjusted headline PBT of £0.7 million (2015: £0.8 million).

The exceptional costs to arrive at adjusted headline EBITDA include the following:

Acquisition costs

Includes £0.3 million of a vendor contingent obligation in relation to the acquisition of PPS.

Reorganisation costs

Primarily consists of costs related to restructuring the 2112 business which were approximately £0.2 million.

Legal and other consultancy costs

Consists of costs that are incurred outside the ordinary course of business and by nature are non-recurring.

Share based payment expense

A non-cash cost related to share options awarded to employees.

Security impairment

Related to the write-down on securities held as collateral on a loan.

Revaluation of contingent consideration

Represents the potential increase in the contingent consideration associated with the Redleaf acquisition.

Provision for vendor loan guarantee

A provision for the potential obligation Porta may have as a result of a guarantee in relation to loan notes associated with the Capital Access Group investment.

The adjustments in arriving at adjusted headline profit before tax includes the following:

Exceptional costs

Represents the exceptional costs in arriving at adjusted headline EBITDA as outlined above.

Amortisation on acquired intangibles

Related to acquisitions and includes a 10-year amortisation period on brands and a five-year amortisation period on customer lists.

Impairments

Non-cash charges against goodwill, brands and customer lists as a result of impairment reviews.

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
EBITDA from continuing operations	777,235	1,071,612
Add back exceptional costs:		
Acquisition costs	308,235	36,948
Reorganisation costs	247,329	756,240
Non-recurring property costs	–	86,207
Legal and other consultancy costs	194,300	340,850
Security impairment	120,130	–
Revaluation of contingent consideration	213,262	–
Provision for vendor loan guarantee	264,512	–
Total exceptional costs	1,347,768	1,220,245
Share based payment expense	218,232	315,002
Adjusted headline EBITDA	2,343,235	2,606,859
Loss before tax from continuing operations (as reported)	(5,080,062)	(2,913,144)
Add back:		
Exceptional costs	1,566,000	1,535,247
Amortisation on acquired intangibles	2,101,348	2,207,188
Impairments	2,139,474	–
Adjusted headline profit before tax	726,760	829,291

Gene Golembiewski

Company Secretary
10 May 2017

Principal Risks and Uncertainties

For the year ended 31 December 2016

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

The Directors identified a number of risks and uncertainties which they believe may affect the Group's ability to deliver its strategic goals as at 31 December 2016. A list of these risks is summarised below. This list does not purport to be an exhaustive summary of the risks affecting the Group, is given in no particular order of priority and contains risks considered to be outside the control of the Directors.

Risk trend key:




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

Specific Risks	Mitigation	
Management of growth (strategic risk) <p>The ability of the Group to implement its strategy requires effective planning and management control systems. The speed at which the business develops may place a significant strain on the Group's management, operational, financial and personnel resources. Failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a detrimental impact on the trading performance of the Group.</p>	<p>The Group has an experienced management team and a number of highly experienced external advisers. The Board of Directors continuously review and enhance the existing strategy for the management of the expected business growth.</p>	
New markets and channels of service offering (strategic risk) <p>As we enter new markets through acquisition of local businesses or starting up new offices overseas we may achieve lower than anticipated trading volumes or higher costs and resources requirements. This may impact overall group profitability and negatively reflect on cash flows.</p>	<p>We have a thorough process for assessing and planning the entry into new markets and related opportunities with the help of qualified and experienced advisers. We continuously assess our performance in those new markets and the related opportunities and risks.</p>	
Global economic trends and client dependency (economic risk) <p>Our Group provides an integrated service offering to our clients across the globe. Poor economic conditions in home countries of our clients can increase the average debtor days' period and thus put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems.</p>	<p>Due to a wide spread of clients across the world and various industry sectors, the Group reduces its reliance on any particular economic environment or particular client. The Group performs weekly reviews of cash flows from all operations as well as regular reviews of new business wins/losses across all Group companies.</p> <p>The Group closely reports and monitors aged debts and ensures the local management has an action plan in place to minimise the risks of any resulting loss. The Group also closely monitors the level of fees generated from each client and is continuously seeking opportunities to expand existing client portfolios. In 2016 no individual client represented more than 5% of the total Gross Profit (2015: 3%). And our top 10 clients accounted for 18% (2015: 21%) of Gross Profit.</p>	

Principal Risks and Uncertainties *(continued)*

For the year ended 31 December 2016

Specific Risks	Mitigation	
<p>Future funding (strategic risk)</p> <p>The Group is continuously reviewing its funding requirements in terms of both strategic acquisitions, as well as working capital to support the growth of the Group and recruiting senior hires.</p> <p>The Company is currently in advanced discussions over both new debt facilities and additional equity. The quantum and terms of both debt and equity are yet to be agreed and there are no assurances that the Company will be able to raise such funds on agreeable terms or at all.</p> <p>As a result of any equity fundraise, the Shareholders' holdings of Ordinary shares may be diluted and the new securities may carry rights, privileges and preferences superior to the Ordinary shares.</p> <p>If debt financing is obtained, the Company's ability to raise funds and its ability to operate its business may be subject to restrictions. A number of factors (including changes in interest rates, the overall condition of the banking market and general economic conditions which are beyond the Company's control) may make it more difficult for the Company to obtain new financing on attractive terms or at all. If the Company's borrowings become more expensive, profits will be adversely affected.</p>	<p>The Board of Directors and executive management team closely monitor the level of debt, financing need, availability and ability of the Group to support any additional debt. Rigorous cash reviews of expenditures and collections are performed on a weekly basis across all Group companies to ensure the targeted cash levels are maintained at each reporting date. Where further financing is deemed to be required as a result of the Group strategy for growth, the Board and executive management ensure that the mix of financing and terms thereof, are in the best interest of the Group and Shareholders.</p>	
<p>Restructuring activities (strategic risk)</p> <p>Acquisitions and integration of new businesses within the Group may require restructuring of our existing activities to streamline our business and reduce the cost base. This includes restructuring under-performing business units as part of an effective cost management programme.</p> <p>During 2016, the Group restructured the Media and Advertising segment whereby underperforming business units were restructured and costs reduced.</p> <p>Overall restructuring has progressed well and has had an immediate positive impact on the Group positioning going forward.</p>	<p>The Group continues to closely manage these activities by assigning specific internal teams responsible for regular and timely reporting of the progress and results against set targets and by using other internal and external expertise. The Group seeks to remain fair towards all members of staff affected by the changes through transparent and regular consultation with those members of staff during such periods. We are separately tracking the costs and benefits of these projects to ensure that we can compare their actual performance against our expectations while monitoring the underlying performance of the business.</p>	

Specific Risks	Mitigation	
<p>Attraction and retention of key employees (operational risk)</p> <p>The Group depends on the continued service and performance of the senior management team and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of their services cannot be guaranteed. The loss of the services of key employees could damage the Group's business. Equally, the ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.</p>	<p>We recognise that it is important to motivate and retain talented people across our businesses to ensure that we are not exposed to the risk of unplanned staff turnover. The Group's policy is to recruit both senior management and staff of the highest quality and to remunerate them accordingly. The Group carries out a succession plan and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key personnel. The Group takes employees' health and safety very seriously and has appropriate processes in place to monitor and address any issues accordingly. Recent new hires made in 2016 and 2017 indicate that the Group is becoming a 'destination firm' thereby reducing the Group's risk of not being able to attract experienced and skilled executives.</p>	
<p>Working capital (operational risk)</p> <p>Lack of timely cash collections from our clients may result in increased working capital requirements at an increased cost to the Group.</p> <p>Organic growth of businesses within the Group through senior hires and further market expansion, will tie up additional working capital, causing potential working capital shortfalls in the short-term.</p>	<p>Working capital implications are an integral component of contract negotiations. The Group seeks to agree advance billing terms whenever possible.</p> <p>Company cashflow is monitored by the Group on a weekly basis with forecasting on a detailed level, done on a 13-week rolling forecast. Where potential shortfalls are identified, the Group will work with the management team of the affected business to ensure access to sufficient funds.</p>	
<p>Information systems (IT) and data security (operational and business risks)</p> <p>Any information system failure could negatively impact on the Group's business operations, including delays to client work.</p> <p>Unauthorised access to confidential information due to inadequate security of the data could compromise our client relationships and have a detrimental effect on our reputation.</p> <p>Failure to maintain robust disaster recovery plans may result in significant loss of resources and cause a major disruption to overall business operations.</p>	<p>The Group maintains fit for purpose IT systems managed and reviewed by both in-house and third party IT specialists in a timely manner. All significant IT related investments are subject to business case assessments performed by the Group management and, where appropriate, by the Board.</p> <p>Extensive business and IT disaster recovery plans have been implemented by each company and are tested frequently to minimise any disruption in the event of an IT failure. It is local management's responsibility to perform regular reviews of those plans to ensure they remain dynamic and robust.</p> <p>External access to data is protected by the Group's IT security, which is frequently tested for malicious attacks and/or more general virus infections to ensure that the Group's network is as secure as possible. Internal access to data is restricted.</p>	

Principal Risks and Uncertainties *(continued)*

For the year ended 31 December 2016

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

Financial risk management

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

Board of Directors

For the year ended 31 December 2016

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

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2016.



Bob Morton, Non-Executive Chairman until 13th October 2016, 75 years. Bob is a Chartered Accountant, successful entrepreneur and has substantial public company experience. Bob stepped down as Chairman on 13th October 2016.



David Wright, Executive Chairman until 3rd May 2017, 72 years. David began his career as a journalist and went on to be CEO of Incepta plc, prior to starting up Porta. David replaced Bob Morton as Chairman in October 2016 until he stepped down on 3rd May 2017.



Steffan Williams, Chief Executive, 49 years. Steffan has spent over 20 years working within strategic communications, most recently as a Partner at Finsbury. Prior to Finsbury Steffan founded Capital MSL in 2001, taking it to become a top ten player within the EMEA region.



Gene Golembiewski, Executive Director and Company Secretary, 59 years. Gene is a qualified CPA. Prior to joining Porta, Gene was worldwide CFO and COO of Gavin Anderson & Company. Gene was Group Finance Director for the year ended 2016 and up until 3rd May 2017.



Brian Blasdale, Non-Executive Director until 30th Nov 2016, 66 years. Brian co-founded I-B Net Limited in March 2000 which was listed on AIM. Since this time, Brian has held directorships with a number of companies. Brian stepped down as a Non-Executive Director in November 2016.



Raymond McKeeve, Non-Executive Director, 45 years. Raymond is a Partner at Jones Day and is widely regarded as a leading private equity specialist across all areas of corporate practice, including acquisitions, disposals, restructurings and ECM work.



John Foley, Non-Executive Chairman, 61 years. John is a co-founder and Chairman of AIM quoted niche services provider, Premier Technical Services Group Plc. John is also Chairman of Servoca Plc, the AIM quoted staffing solutions and outsourcing provider. John was appointed Non-Executive Director in September 2016. He became Non-Executive Chairman on 3rd May 2017.



Rhydian Bankes, Chief Financial Officer, appointed 3rd May 2017, 33 years. Rhydian joined Porta in January 2016 as Head of Group Finance. He qualified as a Chartered Accountant at PWC and spent eight years working across a broad range of service lines. Rhydian was appointed Group CFO on 3rd May 2017.

Directors' Report

For the year ended 31 December 2016

Business review and future outlook

The review of the business for the year and the future outlook is given in the Chairman's Statement on page 6 and the Strategic Report on pages 12 to 32.

Risks and uncertainties

The Strategic Report deals with the principal risks and uncertainties. Our Group trades internationally both through its local offices and via direct contracts in countries where we do not have offices. This trade exposes the Group to potential political risks, foreign exchange risk and physical risks. Other risks the Group are exposed to include client credit risk; the risk that the financial markets cause liquidity risks (with financial services clients); and cash flow risks. The Group mitigates such risks through monitoring, reviewing the available information and management's negotiations of contractual terms. Further details relating to our risks and risks management are given on pages 28 to 32.

Going concern

The Group's forecasts and projections show that the Group should be able to operate within the level of its current financial means, for at least twelve months from the signing of these financial statements with the continued support of Hawk Investment Holdings Limited and Retro Grand Limited, to which they have consented. The Group however will seek to access further working capital to support the Group in its next phase of growth. This is currently under discussion and could be comprised of debt or equity funding, or a combination of both.

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

Financial instruments

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

Dividends

The Company is unable to pay a dividend for the year ended 31 December 2016 (2015: £nil).

Political contributions

During the year, the Group made no political donations and it incurred no political expenditures (2015: none).

Directors

The name and biography for each Director have been provided on page 33. This information can also be found on our website (www.portacomms.com).

Directors' interests

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

	31 December 2016	31 December 2015	31 December 2014
	See note ²	See note ²	See note ²
Ordinary shares of 1p each			
Bob Morton ¹ (Resigned on 13th October 2016)	67,103,965	42,936,318	32,942,552
David Wright	4,055,677	4,055,677	2,743,727
Gene Golembiewski	1,412,230	1,412,230	769,230
Steffan Williams	–	–	–
Brian Blasdale (Resigned on 30th November)	3,117,322	3,117,322	1,817,322
Raymond McKeeve	4,651,618	4,651,618	3,250,000
John Foley (appointed 29 September 2016)	965,079	–	–
Rhydian Bankes (appointed 3 May 2017)	–	–	–

1. Holdings are through Hawk Investments Holdings, Retro Grand Limited, Seraffina Holdings Limited, Groundlinks Limited and Hawk Pension Fund Limited. Whilst Bob Morton is only a beneficiary of Hawk Pension Fund (holding of 850,000 shares), he has connected persons who are Directors of Morton PTC Limited, which is the Trustee of Hawk Investments Holdings, Retro Grand Limited, Seraffina Holdings Limited and Groundlinks Limited.

2. Or date of appointment if later.

The details of Directors' share options are given in the Report of the Remuneration Committee on pages 38 to 39.

There have been no further changes in the interests of the Directors in the shares of the Company between 31 December 2016 and the date of this report.

Substantial shareholdings

As at 3 May 2017, 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
Hawk Investment Holdings Limited ¹	60,157,648	18.45
Hargreave Hale	26,577,514	8.15
Fidelity	16,071,539	4.93
Retro Grand ²	18,326,389	5.62
Ruffer LLP	13,714,413	4.21
Stephen Byfield	14,871,230	4.56
Gary Wyatt	15,000,000	4.60

1. Hawk Investment Holdings Limited is a company beneficially owned by Morton PTC Limited, as trustees of the Morton Family Trust, the beneficiaries of which include Bob Morton's spouse.
2. Retro Grand Limited is owned by Morton PTC Limited, as trustee of the Edward Trust. The directors of Morton PTC Limited include connected persons of Bob Morton.

Employment

The Directors view employees as the key asset of the Group. In 2015, the Group's management continued to focus time and resource on the Group's employees, including initiatives on subjects such as wellbeing, engagement and training.

As at 31 December 2015, the Group employed 274 people (2014: 262) globally in its continuing operations. The Group takes its responsibilities for its employees seriously and is committed to high standards of employment practice. The Group's aim is to develop successful employees who will grow with the Group as it expands and who see exciting future employment prospects with the Group.

Employee involvement

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

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

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

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

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

Directors' Report *(continued)*

For the year ended 31 December 2016

Equal opportunities

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

Employees with disabilities

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

Auditors

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

Directors Indemnity Insurance

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

Disclosure of information to the auditors

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

Corporate governance

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

Directors' remuneration

The Report of the Remuneration Committee is on pages 38 to 39 of this Report and Financial Statements. The Report of the Remuneration Committee forms part of this Directors' Report and is incorporated into it by cross-reference.

Annual General Meeting

A notice convening the Annual General Meeting to be held on 8 June 2017 at 2pm is included with this report. The Report of the Directors was approved by the Board on 10 May 2017 and signed by order of the Board by:

Gene Golembiewski

Company Secretary

10 May 2017

Statement of Directors' Responsibilities

For the year ended 31 December 2016

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

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

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

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

The Directors confirm that:

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

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

Report of the Remuneration Committee

For the year ended 31 December 2016

Remuneration policy for Executive Directors

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

The current remuneration of the Executives consists of several elements including base salary, pension contribution, share options, and other taxable benefits as well as the awards made under the Executive Share Incentive Plan. The table below sets out the remuneration of each Company Director during the period ended 31 December 2016.

Directors' remuneration (audited)

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

1. Remunerated through a wholly owned subsidiary.

2. The majority of this remuneration was paid through Directors' service companies as detailed in note 26 to the financial statements.

3. Mr McKeeve's contract entitles him to a fee of £1 per annum.

4. Other benefits comprise payment in respect of healthcare and life insurance and similar benefits.

The remuneration of the Directors for the year amounted to £977,109 (2015: £799,287). The remuneration of the highest paid Director was £323,069 (2015: £333,936). No bonuses were paid to Directors for the year ended 31 December 2016 (2015: None). In addition to the amounts disclosed above, £113,141 was charged to the Statement of Comprehensive Income in relation to share options granted to Executive Directors during the period (2015: £87,227). All of the above remuneration is accounted for within continuing operations. Further information in relation to share based payments is disclosed in note 22 to the financial statements.

31 December 2015	Notes	Fees and salaries £	Bonuses £	Pension contributions £	Other benefits (note 3) £	Total £
Executive						
David Wright		250,000	–	62,000	6,483	318,483
Gene Golembiewski		250,000	–	62,500	21,436	333,936
Steffan Williams	1	78,250	–	7,825	657	86,732
Non-Executive						
Bob Morton	2	30,000	–	–	–	30,000
Brian Blasdale	2	24,000	–	171	5,964	30,135
Raymond McKeeve	3	1	–	–	–	1
		632,251	–	132,496	34,540	799,287

1. Remunerated through a wholly owned subsidiary.

2. The majority of this remuneration was paid through Directors' service companies as detailed in note 26 to the financial statements.

3. Mr McKeeve's contract entitles him to a fee of £1 per annum.

4. Other benefits comprise payment in respect of healthcare and life insurance and similar benefits.

On behalf of the Board

John Foley

Chairman of the Remuneration Committee

10 May 2017

Independent Auditor's Report

to the members of Porta Communications Plc

We have audited the financial statements of Porta Communications Plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has 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 parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Mark Henshaw

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

London
10 May 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Continuing operations			
Revenue	2	37,149,951	34,093,005
Cost of Sales		(7,402,986)	(7,144,100)
Gross profit		29,746,965	26,948,905
Operating and administrative expenses	3	(27,403,730)	(24,342,046)
Adjusted EBITDA		2,343,235	2,606,859
Restructuring costs, acquisition costs and share based payments	1	(1,445,870)	(1,535,247)
Impairments	1	(2,259,604)	–
Amortisation and depreciation	3	(2,582,837)	(2,718,405)
Operating Loss		(3,945,076)	(1,646,793)
Finance expense	5	(1,326,248)	(1,268,314)
Finance income	5	197,502	27,267
Share of loss in associate	12	(6,240)	(25,304)
Loss before taxation on continuing operations		(5,080,062)	(2,913,144)
Tax charge	6	(102,622)	(187,794)
Loss for the period on continuing operations		(5,182,684)	(3,100,938)
Discontinued operations			
Loss for the period from discontinued operations (all attributable to the owners of the Company)	9	(387,500)	(352,577)
Loss for the period		(5,570,184)	(3,453,515)
(Loss)/profit for the period attributable to:			
Owners of the Company		(6,292,560)	(4,356,112)
Non-controlling interests		722,376	902,597
		(5,570,184)	(3,453,515)
Other comprehensive income from continuing operations			
Exchange differences arising on items that may be subsequently reclassified to profit or loss		424,550	(34,610)
Total other comprehensive income, net of tax		424,550	(34,610)
Total comprehensive income for the period		(5,145,634)	(3,488,125)
Total comprehensive income for the period attributable to:			
Owners of the Company		(6,092,716)	(4,363,548)
Non-controlling interests		947,082	875,423
		(5,145,634)	(3,488,125)
Loss per share – basic and diluted			
	13		
On continuing operations		(2.1p)	(1.5p)
On discontinued operations		(0.1p)	(0.1p)
On continuing and discontinued operations		(2.2p)	(1.6p)

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

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 £	2015 £
Non-current assets			
Intangible assets	15	13,097,632	17,056,192
Property, plant and equipment	16	1,035,292	1,181,803
Deferred tax asset	6	1,481,791	1,601,065
Other non-current assets	18	923,775	923,775
Other investments		8,500	9,500
Investment in associates	12	787,946	845,921
Total non-current assets		17,334,936	21,618,256
Current assets			
Work in progress		1,321,704	924,662
Trade and other receivables	18	7,590,091	7,326,215
Cash and cash equivalents		1,854,553	1,787,184
Total current assets		10,766,348	10,038,061
Current liabilities			
Trade and other payables	19	(9,089,768)	(8,116,383)
Current tax liabilities		(305,097)	(448,824)
Loans and borrowings	23	(6,254,770)	(4,956,269)
Total current liabilities		(15,649,635)	(13,521,476)
Net current liabilities		(4,883,287)	(3,483,415)
Non-current liabilities			
Trade and other payables	19	(404,809)	(462,487)
Deferred tax liabilities	6	(1,260,254)	(1,832,413)
Provisions	20	(1,328,436)	(1,179,302)
Loans and borrowings	23	(3,251,291)	(3,041,803)
Total non-current liabilities		(6,244,790)	(6,516,005)
Net assets		6,206,859	11,618,836
Equity			
Share capital	21	28,860,412	28,380,791
Share premium	21	5,826,561	4,788,547
Retained losses		(30,402,996)	(22,822,085)
Translation reserve		163,323	(85,631)
Other reserves		116,831	(489,848)
Total equity shareholders' funds		4,564,131	9,771,774
Non-controlling interests	11	1,642,728	1,847,062
Total equity		6,206,859	11,618,836

The financial statements were approved by the Board of Directors and authorised for issue on 10 May 2017.

Steffan Williams

Gene Golembiewski

Directors

Porta Communications Plc (company registration number: 05353387)

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

Company Statement of Financial Position

As at 31 December 2016

	Notes	2016 £	2015 £
Non-current assets			
Intangible assets	15	178,847	196,030
Property, plant and equipment	16	501,926	651,977
Deferred tax assets	6	1,376,188	1,298,290
Investment in subsidiaries	17	13,724,308	17,880,591
Other non-current assets	18	923,775	923,775
Investment in associates	12	819,489	751,790
Trade and other receivables due from related parties	26	9,407,755	7,107,778
Total non-current assets		26,932,288	28,810,231
Current assets			
Trade and other receivables	18	1,200,826	1,313,758
Cash and cash equivalents		101,432	124,631
Total current assets		1,302,258	1,438,389
Current liabilities			
Trade and other payables	19	(3,139,293)	(2,658,551)
Loans and borrowings	23	(6,234,262)	(4,948,480)
Total current liabilities		(9,373,555)	(7,607,031)
Net current liabilities		(8,071,297)	(6,168,642)
Non-current liabilities			
Trade and other payables	19	(254,809)	(462,487)
Deferred tax liabilities	6	(15,331)	(9,677)
Provisions	20	(264,512)	–
Loans and borrowings	23	(3,229,211)	(3,021,295)
Trade and other payables due to related parties	26	(3,331,185)	(2,947,443)
Total non-current liabilities		(7,095,048)	(6,440,902)
Net assets		11,765,943	16,200,687
Equity			
Share capital	21	28,860,412	28,380,791
Share premium	21	5,826,561	4,788,547
Retained losses		(23,544,225)	(17,387,881)
Other reserves		623,195	419,230
Total equity shareholders' funds		11,765,943	16,200,687

The financial statements were approved by the Board of Directors and authorised for issue on 10 May 2017.

Steffan Williams
Gene Golembiewski

Directors

Porta Communications Plc (company registration number: 05353387)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flow from operating activities			
Loss before taxation on continuing activities		(5,080,062)	(2,913,144)
Adjusted for:			
Loss before taxation from discontinued operations	9	(387,500)	(352,577)
Depreciation and amortisation	3	2,582,837	2,718,405
Share of losses of associate	12	6,240	25,304
Tax paid		(749,632)	(1,019,396)
Finance income	5	(197,502)	(27,267)
Finance costs	5	1,326,248	1,268,314
Loss on disposal of property, plant and equipment	16	362	1,713
Capitalised costs		(61,151)	–
Non-cash rents received		(252,000)	(105,000)
Change in estimate of goodwill on prior year acquisition		–	(88,684)
Impairments of other investments		1,000	–
Impairment of associate	12	119,435	–
Impairment of goodwill and other intangibles	15	2,020,039	–
(Increase)/Decrease in work in progress		(270,995)	142,835
Decrease/(Increase) in trade and other receivables		122,594	(76,027)
Increase in trade and other payables		944,380	1,493,184
Shares issued in settlement of loan	21	387,500	–
Equity settled share-based payments	22	218,232	315,002
Unrealised foreign exchange loss/(gain)		4,895	(40,093)
Provision for Capital Access vendor loan guarantee	20	264,512	–
Revaluation of the Redleaf Polhill contingent consideration	20	213,262	–
Net cash inflow from operating activities		1,212,694	1,342,569
Cash flows from investing activities			
Acquisition of intangible assets		(81,236)	(188,141)
Acquisition of property, plant and equipment		(212,667)	(164,441)
Acquisition of subsidiaries, net of cash acquired		(402,715)	49,102
Net cash outflow from investing activities		(696,618)	(303,480)
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)		(14,807)	–
Proceeds from loans and borrowings		519,170	1,711,561
Repayment of loans and borrowings		–	(1,896,861)
Repayment of leases		(140,839)	(134,498)
Dividends paid to non-controlling interests		(857,269)	(728,226)
Interest received		13,876	27,267
Interest paid		(22,748)	(12,583)
Net financing cash flow from discontinued operations		(40,000)	–
Net cash absorbed from financing activities		(542,617)	(1,033,340)
Net (decrease)/increase in cash and cash equivalents		(26,541)	5,749
Cash and cash equivalents at 1 January		1,787,184	1,791,426
Effect of exchange rate changes		93,910	(9,991)
Cash and cash equivalents at 31 December		1,854,553	1,787,184

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

Company Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flow from operating activities			
Loss before taxation on continuing activities		(5,287,128)	(2,317,194)
Adjusted for:			
Loss before taxation from discontinued operations	9	(387,500)	(244,328)
Depreciation and amortisation		245,753	192,038
Finance costs		1,200,050	1,174,716
Interest received		(4,520)	(26,433)
Capitalised costs		(61,151)	–
Non-cash rent received		(252,000)	(105,000)
Intercompany interest charge		(68,154)	(92,502)
Impairment of investment in subsidiaries	17	3,939,600	–
Decrease in trade and other receivables		32,388	127,996
Increase in amounts receivable from subsidiary companies		(1,220,179)	(79,358)
Increase in trade and other payables		465,998	830,990
Shares issued in settlement of loan	21	387,500	–
Equity settled share-based payments		114,952	179,029
Unrealised foreign exchange (gain)/loss		(177,374)	42,636
Provision for Capital Access vendor loan guarantee	20	264,512	–
Net cash outflow from operating activities		(807,253)	(317,410)
Cash flows from investing activities			
Acquisition of intangible assets		(62,904)	(178,944)
Acquisition of property, plant and equipment		(15,615)	(15,082)
Acquisition of subsidiaries, net of cash acquired		(402,715)	–
Net cash outflow from investing activities		(481,234)	(194,026)
Cash flows from financing activities			
Proceeds from the issue of Ordinary shares (net of issue costs)	21	(25,907)	–
Proceeds from loans and borrowings		499,000	1,711,561
Repayment of loans and borrowings		–	(1,896,861)
Repayment of leases		(132,314)	(124,611)
Interest received		4,520	26,433
Interest paid		(12,653)	–
Dividends received from subsidiary companies		932,642	804,092
Net cash generated from financing activities		1,265,288	520,614
Net (decrease)/increase in cash and cash equivalents		(23,199)	9,178
Cash and cash equivalents at 1 January		124,631	115,453
Cash and cash equivalents at 31 December		101,432	124,631

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

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

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

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2016

	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 2015	27,405,391	4,788,547	(18,018,687)	(78,195)	813,671	(1,791,746)	13,118,981	2,174,768	15,293,749
Total comprehensive income									
Loss for the year	–	–	(4,356,112)	–	–	–	(4,356,112)	902,597	(3,453,515)
Other comprehensive income	–	–	–	(7,436)	–	–	(7,436)	(27,174)	(34,610)
Total comprehensive income	–	–	(4,356,112)	(7,436)	–	–	(4,363,548)	875,423	(3,488,125)
Transactions with owners of the Company									
Issue of ordinary shares in relation to business combinations	975,400	–	–	–	–	–	975,400	–	975,400
Dividends paid to non- controlling interests	–	–	–	–	–	–	–	(728,226)	(728,226)
Share based payments	–	–	–	–	315,002	–	315,002	–	315,002
Equity component of the convertible loan issued	–	–	–	–	173,225	–	173,225	–	173,225
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	–	–	53,211	53,211
Acquisition of non-controlling interest without a change in control	–	–	(668,727)	–	–	–	(668,727)	(306,673)	(975,400)
Disposal of subsidiary with non-controlling interest	–	–	221,441	–	–	–	221,441	(221,441)	–
Total transactions with the owners of the Company	975,400	–	(447,286)	–	488,227	–	1,016,341	(1,203,129)	(186,788)
Balance at 31 December 2015	28,380,791	4,788,547	(22,822,085)	(85,631)	1,301,898	(1,791,746)	9,771,774	1,847,062	11,618,836

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

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £	Share premium £	Retained losses £	Other reserves £	Total equity share- holders' funds £
Balance at 1 January 2015	27,405,391	4,788,547	(14,954,584)	(68,997)	17,170,357
Total comprehensive income					
Loss for the year	–	–	(2,433,297)	–	(2,433,297)
Total comprehensive income	–	–	(2,433,297)	–	(2,433,297)
Transactions with owners					
Issue of ordinary shares in relation to business combinations	975,400	–	–	–	975,400
Share based payments	–	–	–	315,002	315,002
Equity component of the convertible loan issued	–	–	–	173,225	173,225
Total transactions with owners	975,400	–	–	488,227	1,463,627
Balance at 31 December 2015	28,380,791	4,788,547	(17,387,881)	419,230	16,200,687
Total comprehensive income					
Loss for the year	–	–	(5,944,890)	–	(5,944,890)
Total comprehensive income	–	–	(5,944,890)	–	(5,944,890)
Transactions with owners					
Issue of ordinary shares in settlement of loan	91,175	296,325	–	–	387,500
Issue of ordinary shares in relation to business combinations	388,446	767,596	–	(225,721)	930,321
Issue costs	–	(25,907)	–	–	(25,907)
Share based payments	–	–	–	218,232	218,232
Transfer between reserves	–	–	(211,454)	211,454	–
Total transactions with owners	479,621	1,038,014	(211,454)	203,965	1,510,146
Balance at 31 December 2016	28,860,412	5,826,561	(23,544,225)	623,195	11,765,943

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

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies

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

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

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

The adjusting items are broken down in the tables below.

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Impairments:			
Security impairment		120,130	–
Impairment of associates	12	119,435	–
Impairment of goodwill and other intangibles	15	2,020,039	–
		2,259,604	–
Restructuring and acquisition costs:			
Acquisition costs		308,235	36,948
Reorganisation costs		247,329	756,240
Non-recurring property costs		–	86,207
Legal and other consultancy costs		194,300	340,850
Revaluation of contingent consideration	20	213,262	–
Provision for vendor loan guarantee	20	264,512	–
		1,227,638	1,220,245
Share based payment expense	22	218,232	315,002
		1,445,870	1,535,247

(a) Basis of preparation of the financial statements

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

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

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

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

A number of the new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. Those which are/may be relevant to the Group and expected to have significant effect on the consolidated financial statements of the Group are set out below. The Group is yet to assess the full impact of these changes.

- IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement.
- IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement.
- IFRS 16 *Leases* requires that operating leases be capitalised and an asset and a financial liability recognised in respect of those leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement if IFRS 15 is also applied.
- IAS12 *Income Taxes* – amendments regarding the recognition of deferred tax assets for unrealised losses. The standard is effective for annual periods beginning on or after 1 January 2017.
- IFRS 2 *Share-based payments* ("SBP") provides clarification concerning the treatment of vesting and non-vesting conditions. It also clarifies the treatment when tax laws oblige an entity to withhold an amount for an employee's tax obligation associated with a SBP and to transfer that amount to the tax authority on the employee's behalf. Finally the amendment provides further guidance on accounting for modifications of options. The standard is effective for accounting periods beginning on or after 1 January 2018.

With the exception of IFRS 15 and IFRS 16, the Directors do not expect that the adoption of the Standards and amendments listed above will have a material impact on the financial statements of the Group in the future periods.

The impact that IFRS 15 will have on the financial statements is yet to be quantified. The Group has different contractual arrangements with each of its clients which will require detailed review in order to assess the changes the Group will need to make to its revenue recognition policies once the standard is implemented.

The impact that IFRS 16 will have on the financial statements is also as yet to be quantified. As a result of the Group's diverse geographic portfolio of business, the Group has a significant number of leases which will need to be assessed individually against the requirements of the standard.

(b) Basis of consolidation

The Consolidated Statement of Comprehensive Income and Statement of Financial Position include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016 and present comparative information for the year ended 31 December 2015.

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

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

When the Group ceases to have control any retained interest in the entity is 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 current economic conditions continue to create uncertainty particularly for (a) the level of demand for the Group's services; and (b) the availability of bank finance for the foreseeable future. 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 finance facilities. However, the Directors have sought and received assurance from the Group's major lenders that they will continue to provide financial support beyond the expiry of the existing loan facilities sufficient to enable the Board to conclude that the Group and the Company are going concerns.

The Group refinanced their loans and borrowings in 2016. See note 23 for more detail.

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

(d) Business combinations

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

When the business combination is achieved in stages, any previously held equity interest is 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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 to NCIs are also recorded in equity.

(e) Foreign currency translation

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

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

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

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

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

(f) Revenue and revenue recognition

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

(g) Property, plant and equipment

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

Office improvements	5 years, straight line (or length of lease, if shorter)
Fittings and equipment	5 years, straight line
Computer equipment	3 years, straight line
Motor vehicles	5 years, straight line

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

(h) Intangible assets

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

(i) Impairment of assets

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

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

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

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

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

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

(k) Investments

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

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

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

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

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

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

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

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

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

(m) Work in progress

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

(n) Trade receivables

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

(o) Cash and cash equivalents

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

(p) Trade payables

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

(q) Borrowings and compound instruments

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

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

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not 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 Statement of Comprehensive Income except where it relates to items recognised directly in Equity. Tax on Company profits is provided for at the current rate applicable in each of the relevant territories. 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 losses from previous periods can be utilised. The Group's assessment of the recoverability of deferred tax assets is based on a two year forecast of the future profitability of the Group.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset or liability is realised.

(s) Share capital and share premium

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

(t) Share based payments

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

(u) Leasing commitments

Group as a lessee

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

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

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

(v) Finance costs

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

(w) Pensions and similar obligations

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis in respect of defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

(x) Critical accounting estimates and judgments

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

● Business Combinations

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

● Impairment of goodwill and intangible assets

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

● Recoverability of investments and debts due from subsidiaries and related parties

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

● Control in another entity with less than half of the voting rights

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

● Capital Access Group provision and contingent liability

Under the acquisition agreement for Capital Access, Porta has two separate guarantees of £1,000,000 each against vendor and lender debt respectively. Please see note 20 for further details concerning these guarantees.

(y) Segmental reporting

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

2. Segmental reporting

Business segments

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

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

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

31 December 2016					
£	Communications	Marketing & Advertising	Head Office	Other/ Consol.	Total
External revenue	31,734,017	5,415,934	–	–	37,149,951
Inter-segment revenue	103,271	88,929	570,126	(762,326)	–
Reportable segment revenue	31,837,288	5,504,863	570,126	(762,326)	37,149,951
Gross profit	26,709,143	3,037,822	–	–	29,746,965
Depreciation, amortisation and impairments	(3,811,968)	(664,590)	(365,883)	–	(4,842,441)
Reportable segment result	(348,554)	(1,168,058)	(2,428,464)	–	(3,945,076)
Finance income	105,950	–	322,857	(231,305)	197,502
Finance expense	(109,927)	(59,384)	(1,388,242)	231,305	(1,326,248)
Taxation (expense)/credit	(12,675)	(81,648)	(8,299)	–	(102,622)
Reportable segment assets	24,012,838	2,424,946	14,419,772	(12,756,272)	28,101,284
Capital expenditure	194,818	2,234	15,615	–	212,667
Reportable segment liabilities	(11,713,424)	(5,469,644)	(17,467,629)	12,756,272	(21,894,425)
31 December 2015					
£	Communications	Marketing & Advertising	Head Office	Other/ Consol.	Total
External revenue	28,302,039	5,790,966	–	–	34,093,005
Inter-segment revenue	369,377	35,254	353,795	(758,426)	–
Reportable segment revenue	28,671,416	5,826,220	353,795	(758,426)	34,093,005
Gross profit	23,533,409	3,415,496	–	–	26,948,905
Depreciation, amortisation and impairments	(2,319,055)	(207,313)	(192,037)	–	(2,718,405)
Reportable segment result	969,953	(593,949)	(2,022,797)	–	(1,646,793)
Finance income	61,850	1,807	179,592	(215,982)	27,267
Finance expense	(143,692)	(62,520)	(1,278,084)	215,982	(1,268,314)
Taxation (expense)/credit	(273,171)	71,228	14,149	–	(187,794)
Reportable segment assets	26,017,446	3,614,480	10,920,734	(8,896,343)	31,656,317
Capital expenditure	140,746	8,613	44,742	–	194,101
Reportable segment liabilities	(9,276,886)	(5,399,403)	(14,257,535)	8,896,343	(20,037,481)

Geographical segments

Results

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

31 December 2015	UK £	EMEA ¹ £	Asia-Pacific £	Total £
Revenue	24,140,370	324,674	9,627,961	34,093,005
Gross profit	18,090,899	265,457	8,592,549	26,948,905
Profit/(loss) on continuing operations before tax	(4,744,667)	(94,363)	1,925,886	(2,913,144)
Loss on discontinued operations before tax	(352,577)	–	–	(352,577)

1. The EMEA region consists of Europe, Middle East and Africa. The 2015 comparative has been revised to reallocate Newgate Communications FZ-LLC (incorporated in UAE) from Asia-Pacific above into EMEA.

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

Client based revenue	2016	2015
United Kingdom	58%	65%
Australia	27%	21%
USA	2%	4%
Europe	5%	2%
Hong Kong and Singapore	6%	6%
Other	2%	2%

No individual client sales were greater than 5% of Group revenue.

Assets and liabilities

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

31 December 2015	UK £	EMEA ¹ £	Asia-Pacific £	Intercompany £	Total £
Non-current assets	20,497,660	(89,414)	1,210,010	–	21,618,256
Current assets	10,965,765	172,735	2,729,389	(3,829,828)	10,038,061
Current liabilities	(15,471,154)	(498,376)	(1,381,774)	3,829,828	(13,521,476)
Non-current liabilities	(6,464,433)	–	(51,572)	–	(6,516,005)
	9,527,838	(415,055)	2,506,053	–	11,618,836

1. The EMEA region consists of Europe, Middle East and Africa. The 2015 comparative has been revised to reallocate Newgate Communications FZ-LLC (incorporated in UAE) from Asia-Pacific above into EMEA.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

3. Expenses – analysis by nature

The operating loss on continuing activities is stated after charging:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Employment costs (see note 4)	21,814,015	19,962,814
Auditor's remuneration:		
Fees payable to the Company's auditors for		
– The audit of the Group's consolidated financial statements	36,000	61,740
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	79,000	36,260
– Tax compliance services	32,200	35,000
– Other services	44,608	–
Legal and other professional consultancy costs	258,769	438,157
Operating lease expense	1,731,079	1,244,148
Amortisation of acquired intangible assets	2,101,348	2,207,188
Amortisation of other intangible assets	93,248	57,595
Impairment charges	2,259,604	–
Depreciation	388,241	453,622
Acquisition costs	8,235	36,948
And after crediting:		
Rental income in respect of sub-leases	375,671	183,958

The amount shown for fees payable to the Company's auditors for the audit of the Group's consolidated financial statements includes £19,000 (2015: £20,000) in respect of the Company's own audit.

4. Employment benefit expense

Employment costs and staff numbers

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

Group

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Wages, salaries and non-executive fees	18,825,127	17,036,973
Pension costs	903,457	825,248
Share based payments	218,232	315,002
Social security costs	1,409,095	1,387,691
Other employment related welfare costs	458,104	397,900
	21,814,015	19,962,814

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Company

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Wages, salaries and non-executive fees	1,102,532	1,064,129
Pension costs	74,840	140,191
Share based payments	114,952	179,029
Social security costs	130,414	118,833
Other employment related welfare costs	57,796	51,072
	1,480,534	1,553,254

Group

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

	Year ended 31 December 2016	Year ended 31 December 2015
	number	number
Sales	195	206
Management	41	40
Administration	43	43
	279	289

Company

The average monthly number of employees during 2016 was 13, including 2 Executive Directors and 11 admin staff (2015: 14, including 2 Executive Directors and 12 admin staff).

Directors' remuneration

The remuneration of the Directors for the year amounted to £977,109 (2015: £799,287). The remuneration of the highest paid Director was £323,069 (2015: £333,936). In addition to these amounts, £113,141 was charged to the Statement of Comprehensive Income in relation to share options granted to Executive Directors during the period (2015: £87,227). All of the above remuneration is accounted for within continuing operations. Further details of share based payments are given in note 22.

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

Retirement benefits

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

5. Finance expense and finance income

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Continuing operations:		
Interest on financial liabilities measured at amortised cost	1,326,248	1,189,937
Net foreign exchange loss	–	78,377
Finance costs	1,326,248	1,268,314
Interest income on bank deposits	13,876	27,267
Net foreign exchange gain	183,626	–
Finance income	197,502	27,267

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

6. Income tax

Group

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Continuing operations:		
UK: Current tax charge	(246,098)	(269,264)
Deferred tax credit	587,312	549,653
Total UK tax credit	341,214	280,389
Overseas: Current tax charge	(315,088)	(549,528)
Deferred tax credit/(charge)	(128,748)	81,345
Total overseas tax charge	(443,836)	(468,183)
Total income tax (charge)/credit for the year	(102,622)	(187,794)

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 20% (2015: 20.25%) for the reasons set out in the following table:

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Loss before taxation on continuing activities	(5,080,062)	(2,913,144)
Income tax credit computed at the statutory tax rate on loss before taxation on all activities	1,016,012	589,912
Adjustments in respect of current income tax of prior periods	(143,688)	(50,804)
Expenses not deductible for tax purposes	(263,146)	(309,103)
Overseas profits taxed at differing rates	(136,686)	(148,179)
Unrecognised tax losses brought forward now utilised	177,593	175,931
Tax losses not relieved not recognised	(783,720)	(441,359)
Change in recognised temporary differences	31,013	(554)
Change in tax rate in respect of deferred taxation	–	(3,638)
Total tax (charge)/credit for the year	(102,622)	(187,794)

Unrecognised deferred tax assets

The Group has tax losses of approximately £6,200,000 (2015: £3,400,000) available to be utilised against future taxable profits in the relevant companies in their countries of operation.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

* The deferred tax balance relates to continuing operations.

	Assets £	Liabilities £	Net £
31 December 2015			
Intangible assets	–	(1,755,155)	(1,755,155)
Fixed assets	17,813	(25,686)	(7,873)
Trade and other payables	114,731	(51,572)	63,159
Tax loss carry-forward	1,468,521	–	1,468,521
Net tax liabilities	1,601,065	(1,832,413)	(231,348)

	Balance at 1 January 2015 £	Recognised in profit or loss* £	Exchange differences and transfers £	Balance at 31 December 2015 £
31 December 2015				
Intangible assets	(2,184,076)	(428,921)	–	(1,755,155)
Fixed assets	(134,540)	120,268	6,399	(7,873)
Trade and other payables	119,038	(55,879)	–	63,159
Tax loss carry-forward	1,330,833	137,688	–	1,468,521
	(868,745)	630,998	6,399	(231,348)

* The deferred tax balance relates to continuing operations.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

31 December 2015	Assets £	Liabilities £	Net £
Tangible assets	–	(9,677)	(9,677)
Trade and other payables	112,947	–	112,947
Tax loss carry-forward	1,185,343	–	1,185,343
Net tax assets	1,298,290	(9,677)	1,288,613

7. Financial Risk Management

Group

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

	Notes	31 December 2016 £	31 December 2015 £
Available for sale investments – at fair value through OCI			
Quoted equity shares		8,500	9,500
Financial assets at amortised cost			
Non-current assets	18	923,775	923,775
Trade receivables	18	5,745,130	5,205,521
Other debtors	18	498,136	898,313
Cash and cash equivalents		1,854,553	1,787,184
		9,030,094	8,824,293
Financial liabilities – held at amortised cost			
Trade payables	19	(2,586,123)	(2,233,856)
Other liabilities		(3,651,006)	(3,664,930)
Loans and borrowings	23	(9,277,193)	(7,668,140)
Financial liabilities – held at fair value through profit or loss			
Provisions	20	(1,328,436)	(1,179,302)
		(16,842,758)	(14,746,228)

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Company

	Notes	31 December 2016 £	31 December 2015 £
Financial assets at amortised cost			
Non-current assets	18	923,775	923,775
Trade receivables	18	43,163	30,432
Other debtors	18	233,621	320,933
Cash and cash equivalents		101,432	124,631
		1,301,991	1,399,771
Financial liabilities – held at amortised cost			
Trade payables	19	(1,180,916)	(868,607)
Other liabilities	19	(553,627)	(656,068)
Loans and borrowings	23	(9,255,113)	(7,668,140)
Financial liabilities – held at fair value through profit or loss			
Provisions	20	(264,512)	–
		(11,254,168)	(9,192,815)

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

The quoted equity shares are categorised as a Level 1 investment for the purpose of the IFRS 13 fair value hierarchy and are valued using quoted prices in active markets for these investments at the reporting date. The value of quoted shares at 31 December 2016 is not materially different from original cost and hence no OCI movement arises.

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

The fair value of other financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long-term fixed rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and the individual creditworthiness of the counterparty. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Financial risk management

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

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

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

Credit risk

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

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed collectively. The calculation is based on actual incurred historical data. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above.

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

Liquidity risk

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

The Group financed its operations during the year from reserves (see Statement of Changes in Shareholder Equity) and from new loan and convertible loan facilities (see note 23). Operating companies' cash requirements are monitored on a rolling working capital forecast basis and funded, where necessary, from Group funds.

Market risk

(a) Currency translation risk

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

	2016		2015	
	+5%	-5%	+5%	-5%
<i>Effect on profit before tax</i>	£	£	£	£
Euro	1,033	(1,033)	(7,892)	7,892
Australian Dollar	62,882	(62,882)	73,852	(73,852)
Singapore Dollar	9,330	(9,330)	145	(145)
Hong Kong Dollar	319	(319)	22,298	(22,298)
	+5%	-5%	+5%	-5%
<i>Effect on equity</i>	£	£	£	£
Euro	(27,821)	27,821	(24,937)	24,937
Australian Dollar	69,657	(69,657)	43,745	(43,745)
Singapore Dollar	44,907	(44,907)	30,089	(30,089)
Hong Kong Dollar	34,967	(34,967)	52,594	(52,594)

(b) Interest rate risk

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

	31 December 2016	31 December 2015
<i>Cash and cash equivalents: interest rate exposure</i>	£	£
Floating rate	–	–
Fixed rate	198,821	187,231
Non-interest bearing	1,655,732	1,599,953
	1,854,553	1,787,184

The fixed rate cash deposits mature on various dates within one year of the year end and bear interest at 1.8% per annum (2015: rates between 1.8% per annum).

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

	31 December 2016	31 December 2015
<i>Loans and borrowings</i>	£	£
Fixed rate convertible loans	(5,228,516)	(2,812,935)
Fixed rate loans and borrowings	(4,277,545)	(5,185,137)
Variable rate loans	–	–
	(9,506,061)	(7,998,072)

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 was not exposed to any variable rate loans or borrowings at 31 December 2016 or 31 December 2015. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the end of the period would not affect profit or loss or equity.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Maturity profile of financial liabilities

	31 December 2016 £	31 December 2015 £
Due in six months or less	6,441,614	5,649,010
Due between six months and 1 year	5,700,468	4,851,386
Due between 1 year and 2 years	1,543,560	3,783,345
Due between 2 and 5 years	3,135,036	462,487
Due in 5 years or more	22,080	–
	16,842,758	14,746,228

8. Capital risk management

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

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

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

	31 December 2016 £	31 December 2015 £
Total borrowings (note 23)	9,506,061	7,998,072
Less: cash and cash equivalents	(1,854,553)	(1,787,184)
Net debt	7,651,508	6,210,888
Total equity	6,206,859	11,618,836
Total capital	13,858,367	17,829,724
Gearing ratio	55.2%	34.8%

The increase in the gearing ratio during 2016 resulted primarily from the funding of losses during the year.

9. Discontinued operations

On 1 December 2014 the Board committed to a plan to discontinue the trading of Twenty20 Media group ('TTMG'), which was 90% owned by the Group. At 31 December 2014, TTMG, historically representing the major part of the media and advertising operating segment within the Porta Group, was classified as a disposal group and discontinued operations.

During the year, the Group incurred a one-off cost of £387,500 relating to the conversion into Ordinary shares of two separate loans previously between Hawk Investment Holdings Limited and Twenty20 Media Vision Limited. Due to the cross-default provisions contained within Hawk's other loan agreements, the Porta Group agreed to settle these amounts which were unpaid when TTMG went into administration in 2015. For further details see note 21.

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Expenses	(387,500)	(352,577)
Loss before tax on discontinued operations	(387,500)	(352,577)
Taxation	–	–
Loss from discontinued operations after taxation	(387,500)	(352,577)

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

10. Acquisitions

10.1 Acquisition of additional interests in subsidiaries

During the year, the Group acquired additional interests in several subsidiary companies. The effect of changes in the ownership interest on the equity attributable to owners of the companies during the year is summarised as follows:

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

10.2 Group restructuring

On 3 March 2016 the Porta Group was restructured. All subsidiary companies directly owned by Porta Communications Plc at this date were moved so that they are now directly owned by either Newgate PR Holdings Limited or Newgate Media Holdings Limited depending on their trade.

On 24 February 2016, Porta Communications Midco Holdings Limited was incorporated and became Porta Communications Plc's ("Plc") sole directly owned subsidiary company. It is wholly owned by Plc, subject to the Value Creation Plan ("VCP") shares issued to the Executive Directors of Plc. For further details concerning Porta Communications Midco Holdings Limited see note 22.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

11. Non-controlling interests

During the year ended 31 December 2016 the Group had two subsidiaries with material non-controlling interests: Redleaf Polhill Limited and Newgate Communications Pty Limited. Summarised financial information before intragroup eliminations in respect of these subsidiaries is presented in the table below.

	Newgate Communications Pty Limited		Redleaf Polhill Limited	
	Year ended	Year ended	Year ended	Year ended
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Current assets	3,461,494	1,983,696	1,026,625	1,017,605
Current liabilities	(616,908)	(526,685)	(8,397)	14,718
Net current assets	2,844,586	1,457,011	1,018,228	1,032,323
Non-current assets	141,546	118,765	2,971,173	3,446,150
Non-current liabilities	(1,574,311)	(700,877)	(1,022,538)	(1,259,594)
Net non-current assets/(liabilities)	(1,432,765)	(582,112)	1,948,635	2,186,556
Net assets	1,411,821	874,899	2,966,863	3,218,879
Non-controlling interests	594,941	428,701	1,008,733	1,577,251
Group ownership	57.86%	51%	66%	51%
NCI %	42.14%	49%	34%	49%
Revenue	10,087,931	7,034,316	4,064,064	3,642,796
Profit for the year	863,132	993,649	501,222	456,390
Other comprehensive income	198,255	(62,554)	–	–
Total comprehensive income	1,061,387	931,095	501,222	456,390
Attributable to non-controlling interests	422,935	486,888	223,314	223,631
Dividends paid to non-controlling interests	269,402	346,453	343,504	381,773

	Newgate Communications Pty Limited		Redleaf Polhill Limited	
	Year ended	Year ended	Year ended	Year ended
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Cash flows from operating activities	654,845	852,005	972,903	667,572
Cash flows from investing activities	(337,535)	(385,428)	(361,901)	(363,739)
Cash flows from financing activities	–	–	34,630	(180,314)
Payment of dividend to parent Company	(252,105)	(423,260)	(409,736)	(339,699)
Net increase/(decrease) of cash and cash equivalents	65,205	43,317	235,896	(216,180)

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

12. Investment in associates

The Group has a 29.5% interest in Capital Access Group ("Capital Access"), a corporate communications, investor access and equity research provider, which was acquired in a non-cash acquisition on 28 July 2015. Under the acquisition agreement, the Group provides Capital Access with office services for 3 ½ years from acquisition and guarantees a maximum of £2,000,000 of debt (of which £1,500,000 remains outstanding). Any calls on the guarantee will be satisfied by the issue of Ordinary shares in Porta at a value of no less than 10p per share. Porta has a call option over the remaining equity in Capital Access, exercisable in four tranches from 1 January 2018. The call option is payable in Ordinary shares of Porta but Porta has no obligation to purchase the outstanding equity in the associate.

See note 20 which includes details of provisions and contingent liabilities relating to Capital Access.

The Group also has a 25.1% interest in Team Darwin Limited, a community powered creative business, with a call option to purchase up to 40% of the outstanding share capital.

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

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

Group	Year ended 31 December 2016			Year ended 31 December 2015		
	Capital Access £	Team Darwin £	Total £	Capital Access £	Team Darwin £	Total £
Revenue	2,159,854	107,601	2,267,455	904,136	96,856	1,000,992
Cost of sales	(107,443)	(105,315)	(212,758)	(11,305)	(32,505)	(43,810)
Administration expenses	(1,754,090)	(39,082)	(1,793,172)	(867,491)	(36,243)	(903,734)
Net finance expense	(295,543)	15	(295,528)	(135,032)	–	(135,032)
Profit/(Loss) for the period	2,778	(36,781)	(34,003)	(109,692)	28,108	(81,584)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	2,778	(36,781)	(34,003)	(109,692)	28,108	(81,584)
Group ownership	29.5%	25.1%		29.5%	25.1%	
Profit/(Loss) attributable to the Group	815	(9,232)	(8,417)	(32,359)	7,055	(25,304)
Carrying value of the investment at 1 January	719,431	126,490	845,921	–	119,435	119,435
Acquired during the year	67,700	–	67,700	751,790	–	751,790
Share of profit/loss in associate during the year	815	(7,055)	(6,240)	(32,359)	7,055	(25,304)
Impairment	–	(119,435)	(119,435)	–	–	–
Carrying value of the investment at 31 December	787,946	–	787,946	719,431	126,490	845,921

As a result of the annual impairment reviews that Porta performs, it was determined that Porta's holding in Team Darwin should be fully impaired. With a key employee leaving, lack of critical mass and it being loss making for the period ended 31 December 2016 with results not expected to materially improve, the determination was that the carrying value should be impaired to its revised recoverable amount of nil, based on fair value less costs to sell.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

	As at 31 December 2016			As at 31 December 2015		
	Capital Access £	Team Darwin £	Total £	Capital Access £	Team Darwin £	Total £
Current assets	838,466	31,725	870,191	1,966,120	54,941	2,021,061
Current liabilities	(399,720)	(23,729)	(423,449)	(673,799)	(15,186)	(688,985)
Net current assets	438,746	7,996	446,742	1,292,321	39,755	1,332,076
Non-current assets	5,219,908	2,166	5,222,074	538,075	174	538,249
Non-current liabilities	(3,696,149)	–	(3,696,149)	–	–	–
Net non-current assets	1,523,759	2,166	1,525,925	538,075	174	538,249
Net assets	1,962,505	10,162	1,972,667	1,830,396	39,929	1,870,325

Company				
	As at 31 December 2016		As at 31 December 2015	
	Capital Access £	Total £	Capital Access £	Total £
Carrying value of the investment at 1 January	751,790	751,790	–	–
Acquired during the year	67,700	67,700	751,790	751,790
Group restructuring ¹	(1)	(1)	–	–
Carrying value of the investment at 31 December	819,489	819,489	751,790	751,790

¹ See note 10 for details concerning the group restructuring.

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 2016 number	Year ended 31 December 2015 number
Weighted average number of shares (Ordinary and dilutive)	283,561,567	273,399,572
	£	£
Loss on continuing activities after tax	(5,905,060)	(4,003,535)
Loss on discontinued activities after tax	(387,500)	(352,577)
Loss on continuing and discontinued activities after tax	(6,292,560)	(4,356,112)

No share options or warrants outstanding at 31 December 2016 or 31 December 2015 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. Profit accounted for in the parent company

As permitted under Section 408 of the Companies Act 2006, the Statement of Comprehensive Income for the Company is not presented as part of these financial statements. The Company's loss for the year, after tax, was £5,944,890 (2015: £2,433,297).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

15. Intangible assets

Group

Cost	Goodwill	Customer relationships	Brands	Websites, software and licences	Total
	£	£	£	£	£
At 1 January 2015	7,516,950	9,380,000	3,187,000	184,087	20,268,037
Additions in the year – acquired with subsidiaries	451,259	–	–	–	451,259
Re-estimate of previously acquired goodwill	88,684	–	–	–	88,684
Other additions in the year	–	–	–	188,141	188,141
Translation differences	10,035	–	–	(35)	10,000
At 31 December 2015	8,066,928	9,380,000	3,187,000	372,193	21,006,121
Other additions in the year	–	–	–	81,236	81,236
Translation differences	173,970	–	–	(2,161)	171,809
At 31 December 2016	8,240,898	9,380,000	3,187,000	451,268	21,259,166
Amortisation and impairment	£	£	£	£	£
At 1 January 2015	–	1,333,321	250,714	101,134	1,685,169
Charge for the year	–	1,888,496	318,692	57,595	2,264,783
Translation differences	–	–	–	(23)	(23)
At 31 December 2015	–	3,221,817	569,406	158,706	3,949,929
Charge for the year	–	1,782,681	318,667	93,248	2,194,596
Impairment	935,559	247,480	837,000	–	2,020,039
Translation differences	–	–	–	(3,030)	(3,030)
At 31 December 2016	935,559	5,251,978	1,725,073	248,924	8,161,534
Net book value	£	£	£	£	£
At 1 January 2015	7,516,950	8,046,679	2,936,286	82,953	18,582,868
At 31 December 2015	8,066,928	6,158,183	2,617,594	213,487	17,056,192
At 31 December 2016	7,305,339	4,128,022	1,461,927	202,344	13,097,632

The average remaining amortisation period for indefinite life intangible assets recognised at 31 December 2016 is approximately 7 years for brands (2015: 8 years) and 2 years for customer relationships (2015: 3 years).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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 2016 £	31 December 2015 £
Communications	ICAS Limited (trading as Publicasity)	188,789	188,789
Communications	Newgate Communications Limited	4,033,344	3,545,117
Communications	Newgate Communications (HK) Limited	568,041	470,197
Communications	Newgate Communications (Singapore) Pte. Ltd	509,262	433,135
Communications	PPS (Local and Regional) Limited	–	588,701
Communications	Redleaf Polhill Limited	1,406,358	1,406,358
Marketing	21:12 Communications Limited	599,545	594,295
Marketing	Summit Marketing Services Limited	–	346,859
	Other units without significant goodwill*	–	493,477
		7,305,339	8,066,928

*Other units include goodwill acquired with Cauldron Consulting Limited, and 13 Communications Limited, the trades of which are now incorporated into Newgate Communications Limited, and 21:12 Direct LLP, the trade of which is now incorporated into 21:12 Communications Limited. As a result, in 2016 these other units have been reallocated accordingly above.

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

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates, and forecast EBITDA. The EBITDA forecasts are based on one year forecasts approved by the Board and based on management's estimate of the business within the cash-generating unit, for five years thereafter based on an average growth projection, and a long-term growth rate into perpetuity. For all cash-generating units the resulting cash flows have been discounted using a pre-tax weighted average cost of capital of 12.0% (2015: 13.0%) and a terminal growth rate of 2.5% (2015: 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 2016 and forecasts for 2017 onwards, Porta have determined there to be an impairment in two cash-generating units.

The performance of PPS (Local and Regional) Limited ("PPS") suffered in 2016 mainly as a result of the Brexit EU referendum, the uncertainty around it, resulting in many developers not committing to new projects and delaying on existing ones. That impact had an immediate effect on PPS's performance as many of the expected projects built into their budget for 2016 did not happen. Whilst activity picked up towards the end of 2016, it remained a difficult period and is expected to continue with this degree of relative uncertainty for the foreseeable future. The result of the impairment is a reduction in intangibles of £1,673,181 (2015: £nil). In line with IAS 36, this has first been charged against outstanding Goodwill of £588,701. Due to PPS being merged into Newgate Communications Limited from 1 April 2017, and the ceasing of the company trading as PPS, it is deemed that the remaining intangible assets relating to Brands of £837,000 should be impaired to nil. The remaining charge of £247,480 has gone against Customer Relationships, and as such the net book value for these intangibles was £1,545,520 as at 31 December 2016. The revised recoverable amount of PPS is determined to be £2,244,192, based on its value in use.

After a strong performance in much of 2016, Summit Marketing Services Limited's ("Summit") performance began to slow towards the end of 2016, and has struggled in 2017 year to date mainly as a result of the reduced spending of one of their main clients. As a result of this, their budgets and forward looking growth trajectory have been revised downwards resulting in an impairment to carrying value of Goodwill in the Consolidated Statement of Financial Position. Summit's Goodwill of £346,859 has been fully impaired leaving a recoverable amount of £96,396. No other intangibles were recognised on the initial acquisition of Summit.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Company

Cost	Websites, software and licences £	Total £
At 1 January 2015	104,711	104,711
Additions in the year	178,944	178,944
At 31 December 2015	283,655	283,655
Additions in the year	62,904	62,904
At 31 December 2016	346,559	349,559
Amortisation	£	£
At 1 January 2015	56,767	56,767
Charge for the year	30,858	30,858
At 31 December 2015	87,625	87,625
Charge for the year	80,087	80,087
At 31 December 2016	167,712	167,712
Net book value	£	£
At 1 January 2015	47,944	47,944
At 31 December 2015	196,030	196,030
At 31 December 2016	178,847	178,847

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

16. Property, plant and equipment

Group

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor vehicles £	Total £
At 1 January 2015	1,093,405	480,303	365,356	58,728	1,997,792
Additions in the year – acquired with subsidiaries	5,464	2,022	5,490	–	12,976
Other additions in the year	30,798	72,078	91,225	–	194,101
Disposals in the year	–	–	(2,266)	–	(2,266)
Translation differences	(7,236)	(5,386)	(3,426)	–	(16,048)
At 31 December 2015	1,122,431	549,017	456,379	58,728	2,186,555
Other additions in the year	70,761	44,713	97,193	–	212,667
Disposals in the year	(133,503)	(6,316)	(1,249)	–	(141,068)
Translation differences	31,886	21,378	21,790	–	75,054
At 31 December 2016	1,091,575	608,792	574,113	58,728	2,333,208
Depreciation	£	£	£	£	£
At 1 January 2015	251,222	91,807	206,039	8,010	557,078
Charge for the year	240,556	119,181	81,005	12,880	453,622
Eliminated on disposal	–	–	(553)	–	(553)
Translation differences	(2,710)	(1,476)	(1,209)	–	(5,395)
At 31 December 2015	489,068	209,512	285,282	20,890	1,004,752
Charge for the year	173,196	119,560	84,625	10,860	388,241
Transfer between categories	21,113	–	(21,113)	–	–
Eliminated on disposal	(133,498)	(6,234)	(974)	–	(140,706)
Translation differences	21,831	11,352	12,446	–	45,629
At 31 December 2016	571,710	334,190	360,266	31,750	1,297,916
Net book value	£	£	£	£	£
At 1 January 2015	842,183	388,496	159,317	50,718	1,440,714
At 31 December 2015	633,363	339,505	171,097	37,838	1,181,803
At 31 December 2016	519,865	274,602	213,847	26,978	1,035,292

The net book value of assets held under finance leases as at 31 December 2016 was £203,836 (2015: 309,070).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Company

Cost	Office improvements £	Fittings and equipment £	Computer equipment £	Motor vehicles £	Total £
At 1 January 2015	811,064	145,978	89,199	24,000	1,070,241
Additions in the year	15,665	2,190	26,887	–	44,472
At 31 December 2015	826,729	148,168	116,086	24,000	1,114,983
Additions in the year	5,969	1,367	8,279	–	15,615
Disposals in the year	(93,046)	–	–	–	(93,046)
At 31 December 2016	739,652	149,535	124,365	24,000	1,037,552
Depreciation	£	£	£	£	£
At 1 January 2015	172,117	44,071	80,039	5,600	301,827
Charge for the year	108,634	26,473	21,272	4,800	161,179
At 31 December 2015	280,751	70,544	101,311	10,400	463,006
Charge for the year	117,824	22,212	20,830	4,800	165,666
Eliminated on disposal	(93,046)	–	–	–	(93,046)
At 31 December 2016	305,529	92,756	122,141	15,200	535,626
Net book value	£	£	£	£	£
At 1 January 2015	638,947	101,907	9,160	18,400	768,414
At 31 December 2015	545,978	77,624	14,775	13,600	651,977
At 31 December 2016	434,123	56,779	2,224	8,800	501,926

The net book value of assets held under finance leases as at 31 December 2016 was £185,658 (2015: 284,832).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

17. Investment in subsidiaries

Company

Cost	31 December 2016
	£
At 1 January 2015	16,235,664
Additions during the year	1,501,846
Share based payments to subsidiary company employees	135,974
Exchange differences	7,107
At 31 December 2015	17,880,591
Additions during the year	806,187
Share based payments to subsidiary company employees	103,280
Disposals during the year	(39,747)
Group restructuring ¹	(1,086,403)
At 31 December 2016	17,663,908
Provision for impairment	£
At 1 January 2015	—
At 31 December 2015	—
Impairment in the year	(3,939,600)
At 31 December 2016	(3,939,600)
Net book value	£
At 1 January 2015	16,235,664
At 31 December 2015	17,880,591
At 31 December 2016	13,724,308

¹ All trading companies in the group are now held through divisional holding companies.

Additions during the period were as follows:

Company	Note	£
Redleaf Polhill Limited (acquisition of minority interests)	10	805,427
Porta Communications Midco Holdings Limited (incorporation of subsidiary)		760
		806,187

In March 2016, the Porta Group was restructured and, in the month prior, Porta Communications Midco Holdings Limited ("Porta Midco") was set-up. See note 10 for further details. Porta Midco issued, in March 2016, 7,599 Ordinary shares of 10p each which were allotted to Porta and a further 2,000 Ordinary 'A' shares of 10p each to the Executive Directors of Porta. Further details are given in note 22.

As a result of the annual impairment reviews that Porta performs, it was determined that PPS (Local and Regional) Limited ("PPS") should be impaired. See note 15 for details over the rationale for the impairment. The result of the impairment review is a reduction in the carrying value which Porta shows for its investment in PPS by £3,939,600. After impairment, the investment has a carrying value of £2,244,192, being its value in use using a discount rate of 12% (2015: 13%).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

At 31 December 2016, the Company indirectly held all the following interests in subsidiaries through other group companies, all of which have reporting dates of 31 December and are all incorporated in England and Wales, unless otherwise stated:

Name	Address of the registered office	Share capital held	Percentage held	Principal activity during year
13 Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
21:12 Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	60%	Marketing and Advertising agency
Clare Consultancy Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations & Public Affairs consultancy
EngageComm Pty Limited (incorporated in Australia)	c/o Bell Partners, 40 Lime Street, King Street Wharf, Sydney NSW 2000, Australia.	Ordinary	100%	Public Relations consultancy
ICAS Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
Newgate Brussels SPRL (incorporated in Belgium)	69-71 Avenue Adolphe Lacombe, 1030 Bruxelles, BE 0841.262.588	Ordinary	100%	Public Relations consultancy
Newgate Communications Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
Newgate Communications (Beijing) Limited (incorporated in China)	Room 2467, No. 77 Jianguo Road, Chaoyang District, Beijing, China	Ordinary	60%	Public Relations & Public Affairs consultancy
Newgate Communications FZ-LLC (incorporated in the United Arab Emirates)	Two Four 54, Park Rotana Building, 9th floor, office number 905B, Khalifa Park area, Media Zone Authority, P.O. Box: 769255 Abu Dhabi, UAE	Ordinary	76%	Public Relations consultancy
Newgate Communications Germany GmbH (incorporated in Germany)	Alstertwiete 3, 20099 Hamburg	Ordinary	100%	Dormant
Newgate Communications Pty Limited (incorporated in Australia)	Level 18, 167 Macquarie Street, Sydney, NSW 2000, Australia	Ordinary	57.86%	Public Relations, Public Affairs & Research consultancy
Newgate Communications (HK) Limited (incorporated in Hong Kong)	802 Winsome House, 73 Wyndham Street, Central, Hong Kong	Ordinary	60%	Public Relations & Public Affairs consultancy
Newgate Communications (Singapore) Pte. Ltd (incorporated in Singapore)	24 Raffles Place, #16-05 Clifford Centre, Singapore 048621.	Ordinary	45%	Public Relations & Public Affairs consultancy

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Name	Address of the registered office	Share capital held	Percentage held	Principal activity during year
Newgate Media Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate PR Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate Public Affairs Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate Public Relations Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Intermediate holding company
Newgate Sponsorship Limited (previously Newgate Sports Limited)	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	85%	Public Relations consultancy
Porta Australia Holdings Pty Limited (incorporated in Australia)	c/o Bell Partners, 40 Lime Street, King Street Wharf, Sydney NSW 2000, Australia.	Ordinary	100%	Intermediate holding company
Porta Communications Midco Holdings Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary*	100%	Intermediate holding company
PPS (Local and Regional) Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Public Relations consultancy
Redleaf Polhill Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	66%	Public Relations consultancy
Springall Gbr (incorporated in Germany)	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant
Summit Marketing Services Limited	Wellington Place, 63 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BG	Ordinary	100%	Marketing & Design agency
Velvet Consultancy Limited	Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE	Ordinary	100%	Dormant

*Directly held

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Audit exemptions:

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

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

Preparation & filing exemptions:

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

Velvet Consultancy Limited

Statutory guarantees:

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

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

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

Velvet Consultancy Limited

18. Trade and other receivables

Current assets

Group	31 December 2016 £	31 December 2015 £
Trade receivables	5,799,360	5,336,814
Less: provision for impairment	(54,230)	(131,293)
	5,745,130	5,205,521
Other debtors	498,136	898,313
Prepayments	1,346,825	1,222,381
	7,590,091	7,326,215

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

During the year, a charge for bad and doubtful debts of £50,360 (2015: £176,578) was made to the Statement of Comprehensive Income. Identified individual bad or doubtful debtors are provided for in full to the extent that they are deemed irrecoverable. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impairment relating to doubtful debts. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

	31 December 2016 £	31 December 2015 £
Neither past due nor impaired	3,155,579	2,141,047
Past due but not impaired:		
Past due up to 3 months	2,190,935	2,564,145
Past due more than 3 months not more than 6 months	281,728	361,275
Past due more than 6 months not more than 1 year	90,293	132,076
Past due more than 1 year	26,595	6,978
	5,745,130	5,205,521

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

	31 December 2016 £	31 December 2015 £
Balance at 1 January	131,293	211,299
Amounts written off during the year	(127,423)	(255,573)
Provision made during period	50,360	176,578
Translation differences	–	(1,011)
Balance at 31 December	54,230	131,293

Company

	31 December 2016 £	31 December 2015 £
Trade receivables	43,163	30,432
Less: provision for impairment	–	–
	43,163	30,432
Other debtors	232,574	320,152
Prepayments	924,042	962,393
Receivable owed by related party (note 26)	1,047	781
	1,200,826	1,313,758

Non-current assets

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

19. Trade and other payables

Current liabilities

Group	31 December 2016 £	31 December 2015 £
Trade payables	2,586,123	2,233,856
Taxes and social security costs	2,179,619	1,550,381
Income received in advance	1,077,829	1,129,703
Other payables	489,681	433,663
Accrued expenses	2,756,516	2,768,780
	9,089,768	8,116,383

Company	31 December 2016 £	31 December 2015 £
Trade payables owing to third parties	1,154,650	866,311
Trade payables owing to related parties (note 26)	26,266	2,296
	1,180,916	868,607
Taxes and social security costs	77,396	30,287
Other payables	298,818	193,581
Accrued expenses	1,582,163	1,566,076
	3,139,293	2,658,551

Non-current liabilities

Group	31 December 2016 £	31 December 2015 £
Other payables	404,809	462,487

Company	31 December 2016 £	31 December 2015 £
Other payables	254,809	462,487

The Group and the Company recognised £254,809 (2015: £462,487) of other non-current payables in respect of the acquisition of the equity interest in Capital Access Group Limited (see note 12). The Group have also accrued employment costs of £150,000 in 2016 (see note 27).

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

20. Provisions

Group	31 December 2016 £	31 December 2015 £
At 1 January	1,179,302	981,379
Additions: New provisions	264,512	–
Utilised in the period	(442,716)	(10,000)
Charged/(released) in the period:		
Amortisation of put/call agreement	114,076	114,076
Other charges in the period	–	93,847
Revaluation at year end	213,262	–
At 31 December	1,328,436	1,179,302

In 2014, the trade of Twenty20 Media Group ('TTMG'), which was 90% owned by the Group, was discontinued.

Whilst the activities of TTMG were discontinued by 31 December 2014, one of its subsidiaries, TTMV Limited was still in administration as at 31 December 2016. During the administration, the Group incurred several unforeseen costs and made a provision of £208,892 resulting in an additional loss from discontinued operations which was recognised in the prior reporting period. A total of £40,000 of this provision was utilised in the year. The Directors expect no further provisions to be made as a result of the TTMG discontinued operations. Further details are given in note 9.

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

Management has evaluated Redleaf's one year forecasts for profit after tax in order to determine the liability component of deferred consideration and discounted this using the Group's pre-tax weighted average cost of capital of 12% at the year end. At 31 December 2016, the present value of the liability component of deferred consideration is £895,032 (2015: £970,410). The revaluation of £213,262 has gone through the Consolidated Statement of Comprehensive Income in the year and has been disclosed separately as an Exceptional Item.

Company	31 December 2016 £	31 December 2015 £
At 1 January	–	–
Additions: New provisions	264,512	–
At 31 December	264,512	–

Under the acquisition agreement for Capital Access, Porta has two separate guarantees of £1,000,000 each against vendor and lender debt respectively. As at 31 December 2016, £500,000 plus accrued interest remained against vendor debt, and £1,000,000 remained against a total lender loan of £3,250,000, leaving a total potential Porta liability of £1,500,000 (plus accrued interest on the vendor loan), to be satisfied in Porta shares of a deemed value no less value than 10p.

Porta has evaluated the likelihood of the two guarantees with Capital Access being called and as a result have provided £264,512 on the guarantee of the remaining £500,000 vendor loan plus accrued interest of £48,781, being 5,487,808 1p shares at the year-end share price of 4.82p.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Contingent liabilities

Due to the discussions to date and the relative uncertainty around the timing and quantum of the restructuring of the lender loan, Porta has deemed the £1,000,000 guarantee over the lender loan to be a contingent liability. Should the guarantee be called upon, Porta would be liable for up to £1,000,000 of Porta shares with a value of no less than 10p.

21. Share capital and Reserves

Group and Company

Share capital

Allotted, called up and fully paid

31 December 2016	Number	£
Ordinary shares of 1p each	309,450,007	3,094,500
Deferred shares of 0.9p each	2,862,879,050	25,765,912
	3,172,329,057	28,860,412
<hr/>		
31 December 2015	Number	£
Ordinary shares of 10p each	277,327,895	27,732,790
Deferred shares of 0.9p each	72,000,000	648,000
	349,327,895	28,380,790

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

	Number	Ordinary shares £ nominal value	Deferred shares £ nominal value	Total £ nominal value
At 1 January 2016	349,327,895	27,732,790	648,000	28,380,790
New issues during the year	32,122,112	479,622	–	479,622
Share split	2,790,879,050	(25,117,912)	25,117,912	–
At 31 December 2016	3,172,329,057	3,094,500	25,765,912	28,860,412

In February 2016, the Company issued 1,760,010 Ordinary shares of 10p each with respect to the deferred consideration, which was contingent on certain conditions being satisfied, for the original 51% acquired in Redleaf Polhill Limited purchased in April 2014.

On 13 September 2016, the Company carried out a share split. Ordinary shares of 10p each were subdivided into one Ordinary share of 1p each and 10 Deferred shares of 0.9p each. The nominal value of share capital did not alter overall because of the share split.

During the remainder of 2016, post the share split, the Company issued 21,244,455 Ordinary shares of 1p each to acquire additional interests in three subsidiary businesses. Further details are given in note 10.

In November 2016, an amount of £387,500, relating to the remaining unpaid principal sums of two separate loans, previously between Hawk Investment Holdings Limited (Lender) and Twenty20 Media Vision Limited (Borrower) was converted into 9,117,647 Ordinary shares of 1p each. Further details are given in note 9.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Deferred shares

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

- a) A holder of Deferred shares shall have no right to receive notice of or to attend or vote at any General meeting of the Company.
- b) A holder of Deferred shares shall have no right to receive any dividend or distribution.
- c) A holder of Deferred shares shall, on a return of capital in a liquidation but not otherwise, be entitled to receive a sum equal to the amount paid up or credited on each share but only after the sum of £1,000,000 per Ordinary share has been distributed amongst the holders of the Ordinary shares.
- d) The Company may redeem the Deferred shares at any time for the sum of £1 payable in aggregate to all Deferred shareholders as a class.

Share premium

	£ nominal value
At 1 January 2016	4,788,547
New issues during the year	1,063,921
Issue costs	(25,907)
At 31 December 2016	5,826,561

Issue costs of £25,907 (2015: £nil) comprise legal fees incurred during the year directly related to share issues which have been capitalised and net off against share premium.

Translation reserve (Group only)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. Translation reserves of £49,110 (2015: £nil) relating to liquidated foreign currency entities have been transferred to retained losses in the year.

Other reserves

During the period, an amount of £218,232 was charged (2015: £315,002) to other reserves relating to share based payments transactions (note 22). In addition, £570,339 was transferred to Retained losses in relation to the share based payment reserves of Newgate Threadneedle Limited and Newgate Integrated LLP (previously Newgate Communications LLP) which were both liquidated in 2016 and other forfeited shares.

Amounts totalling £781,793 (2015: £nil) have been transferred from Other reserves to Retained losses in the year relating to the 2012 acquisition of Twenty20 Media Group Limited which was also liquidated in 2016.

In February 2016, shares were issued to the vendors of Redleaf Polhill Limited of a value of £225,721. On issue, the provision in relation to this shares has been reversed from Other reserves.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

22. Share based payments

Enterprise Management Incentive (EMI) & Unapproved Share Option Plan

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

Executive Share Incentive Plan

On the 15 March 2016, the Company adopted the Executive Share Incentive Plan (the "Plan") and each of the Key Executives at the time, being David Wright, Steffan Williams and Gene Golembiewski ("Management"), were awarded A Ordinary shares in Porta Communications Midco Holdings Limited, ("Porta Midco"). On 17 March 2016, a circular was sent to shareholders containing details of the Plan and calling a general meeting on 6 April 2016 to consider the proposed Plan. The Plan was subsequently approved at the general meeting by shareholders.

On maturity of the Plan, being three years from issue date, the A Shares will be entitled to 15% of the growth in value of the Ordinary shares above a market capitalisation of £36.3 million, which was based on shares in issue at the time of the grant, equal to a value of approximately 13p per Ordinary share. Until this share price has been achieved Management will receive no value for their A Shares in Porta Midco. Full details can be found in the Circular sent to shareholders on 17 March 2016 which is available on Porta's website, www.portacomms.com.

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		2014		2015		2016	
Option recipient	Employees	Directors	Employees	Directors	Employees	Directors	Employees	Directors	Employees	Directors
Fair value at grant date	4.96p	4.22p	9.50p	3.36p	4.93p	8.68p	4.24p	3.26p	N/A	1.83p
Share price at grant date	8.00p	8.00p	14.00p	7.25p	8.25p	14.62p	7.63p	7.19p	N/A	6.25p
Exercise price	10.00p	10.00p	14.00p	20.00p	10.00p	20.00p	10.00p	10.00p	N/A	22.51p
Expected volatility	76%	76%	76%	76%	70%	72%	67%	66%	N/A	66%
Option life*	6 years	6 years	6 years	6 years	6 years	6 years	6 years	6 years	N/A	6 years
Expected dividends	0%	0%	0%	0%	0%	0%	0%	0%	N/A	0%
Risk-free interest rate	1.1%	1.1%	3.01%	2.55%	2.25%	2.81%	2.10%	1.90%	N/A	1.34%

* expected weighted average life

	Number	Weighted average exercise price
Balance at 1 January 2016	18,437,763	12.96p
Issued during the year	15,913,924	22.51p
Forfeited during the year	(9,780,346)	16.00p
Balance at 31 December 2016	24,571,341	18.11p

The weighted average remaining contractual lives of the outstanding options is 6 years and exercise prices range from 10p to 22.51p. The weighted average fair value of options issued during the year was 1.83p.

£218,232 relating to share based payments has been recognised as an expense in the Statement of Comprehensive Income for the year ended 31 December 2016 (2015: £315,002). 9,780,346 share options were forfeited (2015: 2,273,333) and no options were exercised during the year (2015: Nil).

Out of the 24,571,341 outstanding options, 5,222,417 options were exercisable at 31 December 2016.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

23. Loans and borrowings

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

Group

	31 December 2016 £	31 December 2015 £
Non-current liabilities		
Loan – related party	3,114,244	2,812,935
Loan	22,080	–
Obligations under finance leases (note 24)	114,967	228,868
	3,251,291	3,041,803
Current liabilities		
Convertible loan	5,228,516	4,499,881
Loan – related party	279,254	254,982
Loan	526,584	–
Loan notes	106,515	100,342
Obligations under finance leases (note 24)	113,901	101,164
	6,254,770	4,956,269

In November 2016, the Company refinanced the convertible loan facilities with Retro Grand Limited of £4.6 million. On refinancing the principal amount was combined with the unpaid interest to form a principal convertible loan of £5.2 million. This loan is due to be repaid in November 2017 or converted into 1p Ordinary shares on any event of default.

Retro Grand is a Jersey registered company which is wholly owned by Morton PTC Limited, as trustee to the Edward Trust. The Edward Trust is a trust whose sole beneficiary is one of Bob Morton's sons, who is over the age of eighteen years, and is managed and administered by independent trustees. Bob Morton is neither a beneficiary nor a trustee of the Edward Trust, nor is he a director of Retro Grand Limited.

The Group completed the refinancing of its borrowings with Hawk Investment Holdings Limited on 14 April 2016. Under the new agreements, the £2.86 million deep discounting bond facility, which was initially due to be repaid on 26 February 2016, was renewed for a further three-year period on materially the same terms as the original facility, repayable on 14 April 2019. The final repayment amount of the bond, if not repaid before the 2nd anniversary of the effective date will be £4.11 million. At the same time the £0.25 million bridging loan facility provided by Hawk Investment Holdings Limited, initially due to be repaid on 21 January 2016, was also renewed on materially the same terms as the original facility and repayable on 17 April 2017.

Loan notes bearing a 6% coupon rate were issued as purchase consideration for the acquisition of ICAS Holdings Limited in 2014. All loan notes were repaid prior to 2016, except for one. A former shareholder of ICAS Holdings Limited extended £100,000 of their repayable balance, on the same terms as the originally issued loan notes, and this is due to be repaid in 2017.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Terms and debt repayment schedule

		Nominal	Year of	2016		2015	
	Currency	interest rate	maturity	Face Value	Carrying Amount	Face value	Carrying Amount
Deep discounted bond – related party	GBP	12%	2019	4,110,000	3,114,244	2,862,000	2,812,935
Convertible loan	GBP	12%	2017	5,183,415	5,228,516	4,617,450	4,499,881
Loan notes	GBP	6%	2017	100,000	106,515	100,000	100,342
Loan	GBP	12%	2017	500,000	526,584	–	–
Loan – related party	GBP	12%	2017	257,707	279,254	250,000	254,982
Loan	AED	60%	2021	18,955 ¹	22,080	–	–
				10,170,077	9,277,193	7,829,450	7,668,140

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

Company

	31 December 2016 £	31 December 2015 £
Non-current liabilities		
Loan – related party	3,114,244	2,812,935
Obligations under finance leases (note 24)	114,967	208,360
	3,229,211	3,021,295
Current liabilities		
Convertible loan	5,228,516	4,499,881
Loan – related party	279,254	254,982
Loan	526,584	–
Loan notes	106,515	100,342
Obligations under finance leases (note 24)	93,393	93,275
	6,234,262	4,948,480

Terms and debt repayment schedule

		Nominal	Year of	2016		2015	
	Currency	interest rate	maturity	Face Value	Carrying Amount	Face value	Carrying Amount
Deep discounted bond – related party	GBP	12%	2019	4,110,000	3,114,244	2,862,000	2,812,935
Convertible loan	GBP	12%	2017	5,183,415	5,228,516	4,617,450	4,499,881
Loan notes	GBP	6%	2017	100,000	106,515	100,000	100,342
Loan	GBP	12%	2017	500,000	526,584	–	–
Loan – related party	GBP	12%	2017	257,707	279,254	250,000	254,982
				10,151,122	9,255,113	7,829,450	7,668,140

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

24. Finance Leases

Finance lease commitments – as lessee

Group

	2016		2015	
	Minimum payments £	Present value of payments £	Minimum payments £	Present value of payments £
Within one year	138,900	113,901	140,836	101,064
Between one and five years	125,379	114,967	264,279	228,868
Total minimum lease payments	264,279	228,868	405,115	329,932
Less amount representing finance charges	(35,411)	–	(75,183)	–
Present value of minimum lease payments	228,868	228,868	329,932	329,932
<i>Analysed as:</i>		£		£
Current liability		113,901		101,064
Non-current liability		114,967		228,868
Present value of minimum lease payments		228,868		329,932

Company

	2016		2015	
	Minimum payments £	Present value of payments £	Minimum payments £	Present value of payments £
Within one year	117,025	93,393	131,020	93,275
Between one and five years	125,379	114,967	242,404	208,360
Total minimum lease payments	242,404	208,360	373,424	301,635
Less amount representing finance charges	(34,044)	–	(71,789)	–
Present value of minimum lease payments	208,360	208,360	301,635	301,635
<i>Analysed as:</i>		£		£
Current liability		93,393		93,275
Non-current liability		114,967		208,360
Present value of minimum lease payments		208,360		301,635

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

25. Operating leases

The Group 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 2016 £	Year ended 31 December 2015 £
Less than one year	1,532,676	897,650
Between one and five years	5,201,367	5,210,710
More than five years	2,093,829	3,098,867
	8,827,872	9,207,227

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

26. Related party transactions

Key management personnel – Group and Company

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

The Executive Directors have service agreements which require 12 months' notice of termination from either party.

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

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Short term employee benefits	840,889	606,826
Share based payments	113,141	87,227
Post-employment benefits	70,000	132,325
	1,024,030	826,378

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Other related party transactions

During the year, the Company was invoiced £27,500 by Blasdales Limited (2015: £24,000), a company of which Brian Blasdale is a director, for Non-Executive Director's fees. At the year end, £634 was owed by the Company in respect of his expenses (2015: £1,516). Brian Blasdale's appointment as a Non-Executive Director of Porta Communications PLC was terminated on 30 November 2016.

Bob Morton's appointment as Non-Executive Chairman and Director of Porta Communications PLC was terminated on 13 October 2016. £15,200 was paid to Hawk Consulting Limited, a company of which Bob Morton was a Director (resigned December 2016), for Non-Executive Director fees (2015: £30,000).

Hawk Investment Holdings Limited ('Hawk Investment'), a company beneficially owned until December 2016 by Bob Morton and his wife. In December 2016, the company ownership was restructured so to be wholly owned by Morton PTC Limited as Trustee to the Morton Family Trust. Whilst Bob Morton is no longer a beneficiary of the Trust or on the Board of Morton PTC, his wife remains so. Hawk Investment currently have provided the Group with two loan facilities, a deep discounted bond with a face value of £4,110,000 repayable on 14 April 2019 and a 364-day compound interest loan with a face value of £257,707 repayable on 17 April 2017. Both loans are at a fixed interest rate of 12% which is payable, together with the principal of the loan, on maturity. The Group has charged a total of £332,172 (2015: £294,387) of finance costs to the Statement of Comprehensive Income in relation to these loans.

Aqilla Limited, a company that produces accounting software packages, in which Hawk Investment Holdings Limited is a controlling shareholder, charged the Group £37,142 including VAT during 2016 (2015: £61,302).

During the year, the Group paid £91,333 (2015: £90,000) to members of Directors' families employed by the Group.

At the year end, unpaid pension contributions of £17,807 (2015: £24,000) were owed to David Wright and £59,215 (2015: £62,500) to Gene Golembiewski.

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

Director	Max amount outstanding by Director during the year £	Owed by Directors/ (Owed to Directors) 2016 £	Owed by Directors/ (Owed to Directors) 2015 £
Hawk investments Limited (Bob Morton)	–	(17,300)	(15,000)
David Wright	1,047	1,047	781
Gene Golembiewski	1,269	–	(780)
Brian Blasdale (and Blasdales Limited)	–	(634)	(1,516)
Steffan Williams	–	(10,632)	–

All related party transactions were on normal commercial terms.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

Transactions with subsidiary undertakings – Company

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

Subsidiary	Nature of transaction	2016		2015	
		Charged by parent £	Charged to parent £	Charged by parent £	Charged to parent £
13 Communications Limited	Expense recharges and consultancy fees	19,147	–	19,667	–
	Rent	37,800	–	49,000	–
	Interest	12,851	–	12,301	–
21:12 Communications Limited	Expense recharges and consultancy fees	266,967	–	81,620	–
	Marketing and advertising services	–	32,768	–	–
	Rent	352,800	–	144,060	–
	Interest	58,883	–	9,336	347
21:12 Print Management and Creative Services Limited	Expense recharges and consultancy fees	–	–	1,822	–
	Rent	–	–	5,600	–
21:12 Direct LLP	Expense recharges and consultancy fees	–	–	14,497	–
	Rent	–	–	21,560	–
	Interest	–	–	–	546
ICAS Limited (t/a Publicasity)	Expense recharges and consultancy fees	106,114	–	72,360	–
	Rent	243,600	–	170,800	–
	Interest	–	35,687	–	9,526
Newgate Brussels SPRL	Expense recharges and consultancy fees	–	–	613	–
	Interest	–	–	3,487	–
Newgate Communications Limited	Expense recharges and consultancy fees	406,117	–	120,078	–
	Rent	369,600	–	202,300	–
	Interest	–	12,633	18,652	14,122
Newgate Communications FZ-LLC	Expense recharges	390	–	1,345	–
Newgate Communications Pty Limited	Expense recharges and consultancy fees	229,747	–	176,634	–
	Interest	68,255	–	55,263	–
	Group dividend	255,064	–	406,735	–
Newgate Communications (HK) Limited	Expense recharges and consultancy fees	29,557	–	40,431	–
	Group dividend	267,842	–	–	–
Newgate Communications (Singapore) Pte. Limited	Expense recharges and consultancy fees	26,204	–	20,120	–
	Interest	1,005	561	1,042	–
Newgate Integrated LLP	Expense recharges and consultancy fees	–	–	79,825	–
	Rent	–	–	104,300	–
	Interest	–	–	2,411	–
Newgate Public Affairs Limited	Interest	–	–	–	200
Newgate Public Relations Limited	Interest	–	1,329	1,329	–
Newgate Sponsorship Limited	Expense recharges	6,938	–	10	–
	Interest	–	520	–	–
Newgate Threadneedle Limited	Expense recharges and consultancy fees	–	–	52,541	–
	Rent	–	–	57,820	–
	Interest	–	–	–	13,552
	Group dividend	885,225	–	–	–

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

PPS (Local and Regional) Limited	Expense recharges and consultancy fees	95,844	–	100,604	–
	Rent	163,800	–	148,470	–
	Interest	–	22,110	–	22,364
Redleaf Polhill Limited	Expense recharges and consultancy fees	103,000	37,700	58,330	–
	Group dividend	409,736	–	397,357	–
Summit Marketing Services Ltd	Expense recharges and consultancy fees	10,584	–	15,554	–
TwentyOne Twelve Communications LLP	Expense recharges and consultancy fees	–	–	142,691	–
	Rent	–	–	190,540	–
	Interest	–	–	49,338	–
Total		4,427,070	143,308	3,050,443	60,657

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)	
	2016 £	2015 £
13 Communications Limited	631,755	639,293
21:12 Communications Limited	3,630,983	2,967,353
Clare Consultancy Limited	–	(20)
ICAS Limited	(1,891,321)	(934,320)
Newgate Brussels SPRL	383,099	316,400
Newgate Comms LLP	–	224,217
Newgate Communications Limited	1,102,300	565,076
Newgate Communications FZ-LLC	102,430	86,427
Newgate Communications Pty Limited	702,775	525,184
Newgate Communications (HK) Limited	4,463	(127,795)
Newgate Communications (Singapore) Pte. Ltd	(112,681)	70,542
Newgate Media Holdings Limited	577,000	538,999
Newgate PR Holdings Limited	2,029,969	345,421
Newgate Public Affairs Limited	(32,277)	(32,277)
Newgate Public Relations Limited	212,574	213,903
Newgate Sponsorship Limited	2,788	(123,033)
Porta Communications Midco Holdings Limited	(10,758)	–
PPS (Local and Regional) Limited	(1,038,244)	(873,351)
Redleaf Polhill Limited	(10,800)	(14,719)
Summit Marketing Services Limited	(207,487)	(226,965)
Velvet Consultancy Limited	2	–
Net amount owed to parent Company	6,076,570	4,160,335
Less provided as bad debt	–	–
Total	6,076,570	4,160,335
Analysed as:		
Non-current assets	9,407,755	7,107,778
Non-current liabilities	(3,331,185)	(2,947,443)
Total	6,076,570	4,160,335

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2016

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

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

27. Subsequent events

Restructuring of the borrowings

In January 2017, the Group agreed with Retro Grand Limited to convert the liability of £530,247 representing capital and accrued interest into shares in Porta. The parties agreed that the liability will be converted at 4.25p per share into 12,476,389 Ordinary shares of 1p each. These were issued and paid on 27 January 2017.

Issue of Additional Consideration Shares

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

Mergers of subsidiaries

13 Communications Limited merged with Newgate Communications Limited on 1 January 2017 via a transfer of trade and assets agreement. PPS (Local and Regional) Limited merged with Newgate Communications Limited on 1 April 2017 also via a transfer of trade and assets agreement.

Issue of shares to subsidiary employees

£150,000 of Ordinary shares in Porta were issued to two subsidiary employees in March 2017 to partially satisfy conditions existing when PPS was acquired by the Group in November 2014. The full obligation was due to be settled in November 2016. A further £150,000 of Ordinary shares will be issued to the two staff in March 2018 in final settlement of the original award. All costs with respect to this have been accrued into the 2016 year ended accounts.

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 8 June 2017 at 2.00pm for the following purposes:

Ordinary Business

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

1. Report and Accounts

To receive the audited annual accounts for the year ended 31 December 2016, together with the reports of the Directors and Auditor therein.

2. Re-election of Director

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

3. Re-election of Director

To re-elect Eugene Golembiewski, a Director, who retires by rotation in accordance with the Company's articles of association and who, being eligible, offers himself for re-election as a Director of the Company.

4. Re-election of Director

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

5. Re-appointment of Auditors

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

6. Auditor's Remuneration

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

Special Business

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

7. Directors' authority to allot shares

That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being ‘relevant securities’) up to an aggregate nominal amount of £1,630,509.47, provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of the passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Notice of Annual General Meeting *(continued)*

8. Directors' power to issue shares for cash

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

- (a) the allotment of equity securities in connection with an offer, or invitation to apply for, equity securities:
 - (i) in favour of holders of Ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of Ordinary shares in the capital of the Company held by them; and
 - (ii) to holders of any other equity securities as required by any other securities as required by the rights of those securities or as the Directors consider necessary,

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

- (b) the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities up to an aggregate nominal value equal to £1,304,407.58; and

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

9. Authority to purchase shares (market purchases)

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

- (a) the maximum number of Ordinary Shares authorised to be purchased is 32,610,189;
- (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
- (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

10. Political Donations

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

Notice of Annual General Meeting *(continued)*

- (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.

BY ORDER OF THE BOARD

Gene Golembiewski

Company Secretary

10 May 2017

Notes:

1. As a member of the Company, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a Form of Proxy with this notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.
2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. To appoint a proxy using the Form of Proxy, the form must be: (i) completed and signed; (ii) sent or delivered to the Company's Registrars, SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ marked 'Proxy Return'; and (iii) received by the Company's Registrars no later than 2.00pm on 6 June 2017.
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 10 May 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 326,101,894 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 326,101,894.
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 6.00pm on 6 June 2017 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 6.00pm on 6 June 2017 shall be disregarded in determining the rights of any person to attend and vote at the AGM.
8. There will be available for inspection at the Company's registered office during normal business hours from the date of this notice to the date of the AGM and for 15 minutes prior to and during the AGM the following:
 - (a) the Memorandum and Articles of Association; and
 - (b) copies of the Directors' Service Contracts with the Company or its subsidiaries and the terms and conditions of appointment of Non-Executive Directors.

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 2016.

Notice of Annual General Meeting *(continued)*

Resolution 2 – Re-election of Director

This resolution concerns the re-election of Rhydian Banks as an Executive Director of the Company. Rhydian was appointed by the Board on 3 May 2017 as an executive director. Rhydian Banks is required by the Company's articles of association to offer himself for election at the annual general meeting following his appointment. A biography of Rhydian Banks is set out on page 33.

Resolution 3 – Re-election of Director

This resolution concerns the re-election of Eugene Golembiewski who is retiring at the meeting by rotation in accordance the Company's articles of association. A biography of Eugene Golembiewski is set out on page 33.

Resolution 4 – Re-election of Director

This resolution concerns the re-election of John Foley as a Non-Executive Director of the Company. John was appointed by the Board on 13 October 2016 as a Non-Executive Director. John Foley is required by the Company's articles of association to offer himself for election at the annual general meeting following his appointment. A biography of John Foley is set out on page 33.

Resolution 5 – Re-appointment of auditors

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

Resolution 6 – Auditor's remuneration

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

Resolution 7 – Directors' authority to allot shares

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £1,630,509.47, representing approximately 50 per cent of the nominal value of the issued ordinary share capital of the Company as at 10 May 2017, being the latest practicable date before publication of this notice. It is the Directors' present intention to exercise the authorities conferred by this resolution to, among other things: (i) allot equity securities to the vendors of Newgate Communications Pty Limited (Newgate Australia) in consideration for the acquisition by Porta Communications Plc of a further 4.43 per cent of the shares in Newgate Australia; (ii) allot equity securities to the vendors of Redleaf Communications Limited in consideration for the acquisition by Porta Communication Plc of a further 15 per cent of the shares in Redleaf Communications Limited; and (iii) allot equity securities to certain strategic investors to raise up to £3 million pounds by way of an equity injection as described in the Chairman's Statement on page 6 of the Annual Report. It is intended that the funds raised from the equity injection would be used for general working capital purposes and to fund the continued growth of the Group. The Company is currently in discussions regarding the equity investment, however the quantum and terms are yet to be agreed and there are no assurances that the Company will be able to raise such funds on agreeable terms or at all. Should the Company not be able to carry out the equity investment the authorised but unissued share capital will remain available for issue at the Board's discretion so that the Company can more readily take advantage of possible opportunities. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

Resolution 8 – Directors' power to issue shares for cash

This resolution authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either: (i) where the allotment takes place in connection with a right issues, open offer or other pre-emptive offer; and (ii) the allotment other than pursuant to (i) above of up to a maximum nominal amount of £1,304,407.58, representing approximately 40 per cent of the nominal value of the issued ordinary share capital of the Company as at 10 May 2017 being the latest practicable date before publication of this notice. The Directors consider that the power proposed to be granted by resolution 8 is necessary to retain flexibility and, among other things, this authority may be used to allot equity securities for cash in connection with the proposed equity injection described in

Notice of Annual General Meeting *(continued)*

connection with Resolution 7 above. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 18 months after the passing of the resolution, whichever is the earlier.

Resolution 9 – Authority to purchase shares (market purchases)

This resolution authorises the Board to make market purchases of up to 32,610,189 Ordinary shares (representing approximately 10% of the Company's issued Ordinary shares as at 10 May 2017, 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.

Resolution 10 – 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.

Company Information

Directors:	John Foley Gene Golembiewski Steffan Williams Raymond McKeeve Rhydian Bankes
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 Grant Thornton House Melton Street Euston Square London NW1 2EP
Registrars:	SLC Registrars Limited 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Nominated Adviser:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Brokers:	Nplus1 Singer Limited 1 Bartholomew Lane London EC2N 2AX
Solicitors:	Osborne Clarke LLP One London Wall London EC2Y 5EB
Bankers:	HSBC Bank Plc 9 The Boulevard Crawley West Sussex RH10 1UT
Company website:	www.portacomms.com

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 8 June 2017 at 2.00pm (the 'AGM')

Resolutions	FOR	AGAINST	VOTE WITHHELD
ORDINARY BUSINESS:			
1. To receive the Report and Accounts for the year ended 31 December 2016 (ordinary resolution)			
2. To re-elect Rhydian Bankes as a Director (ordinary resolution)			
3. To re-elect Eugene Golembiewski as a Director (ordinary resolution)			
4. To re-elect John Foley as a Director (ordinary resolution)			
5. To appoint Grant Thornton UK LLP as auditors (ordinary resolution)			
6. To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)			
SPECIAL BUSINESS:			
7. To authorise the Directors to allot relevant securities (ordinary resolution)			
8. To empower the Directors to allot equity securities for cash on a non pre-emptive basis in certain circumstances (special resolution)			
9. To authorise the Directors to make market purchases of its Ordinary shares (special resolution)			
10. To authorise the Directors to make political donations (ordinary resolutions)			

I/We [insert name].....

of [insert address]

being a member of the Company:

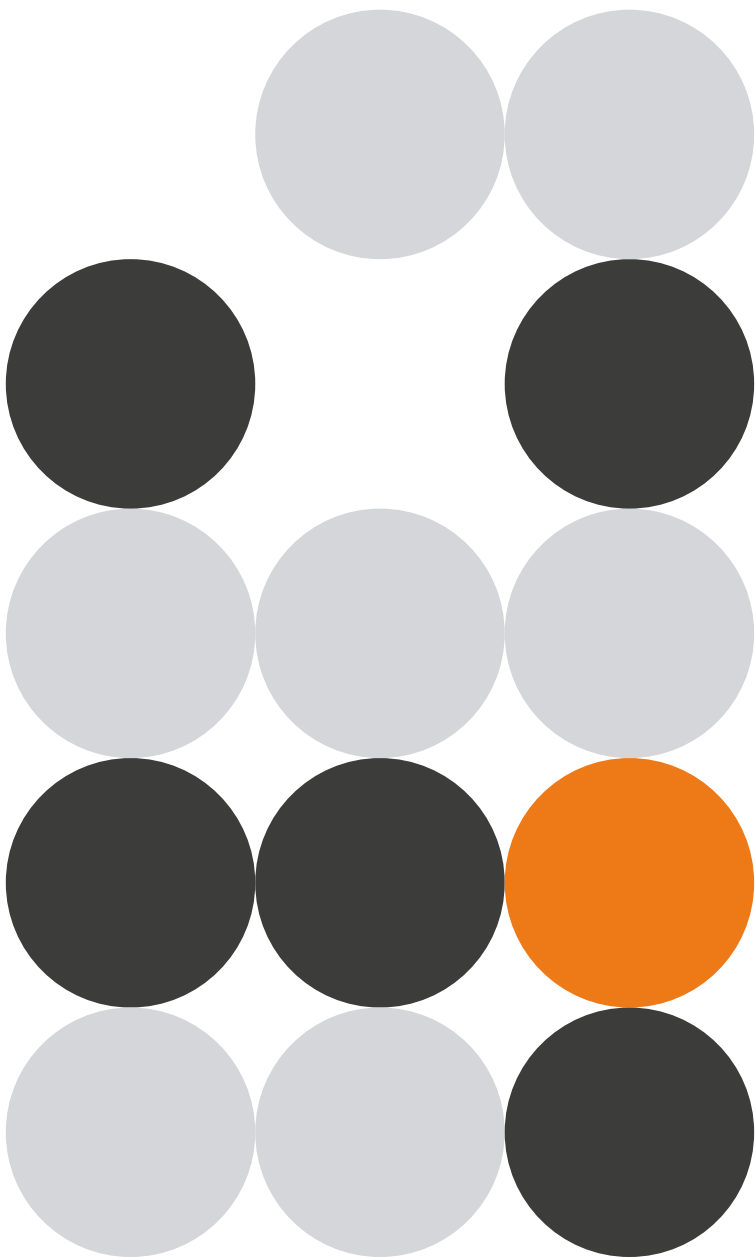
- (1) hereby appoint
or, failing him/her, the Chairman of the AGM to act as my/our proxy to vote for me/us and on my/our behalf at the AGM of the Company to be held on 8 June 2017 and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 11 May 2017 (the 'Resolutions') and any other business (including adjournments and amendments to the Resolutions) which may properly come before the AGM or any adjournment thereof;
- (2) direct my/our proxy to vote as set out above in respect of the Resolutions: (PLEASE INDICATE WITH AN 'X' IN THE BOXES ABOVE)

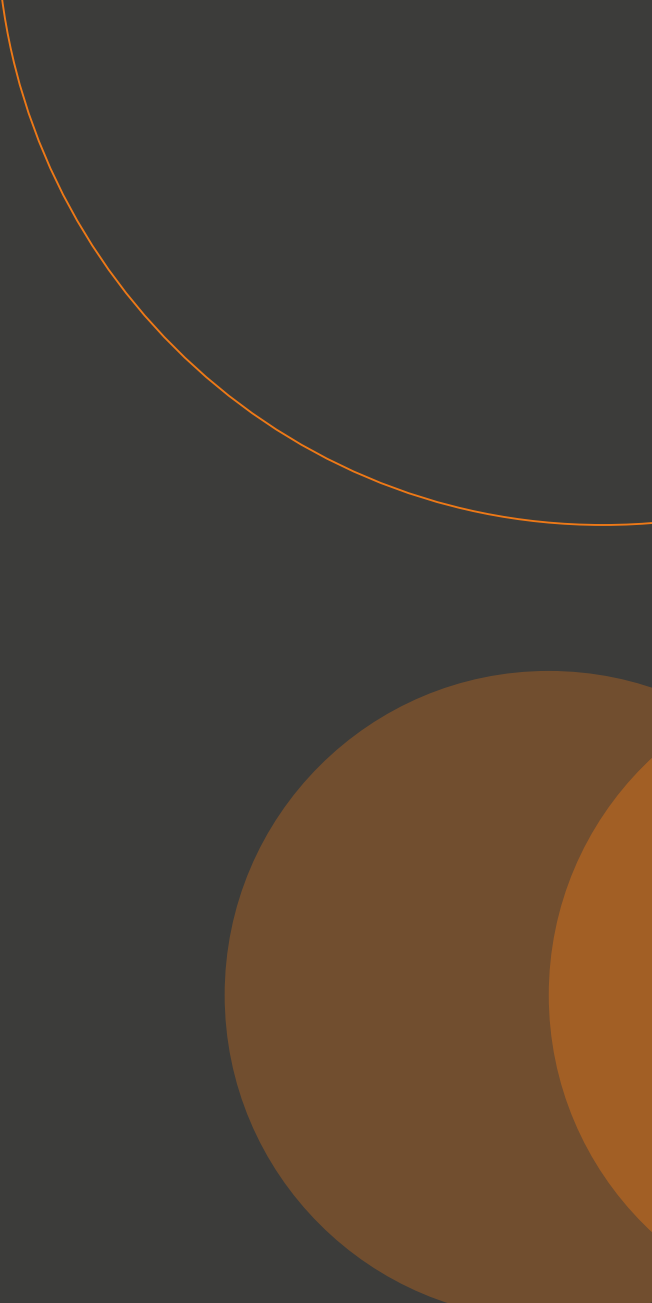
Signature Date 2017



Notes

1. Please indicate how you wish your votes to be cast on a poll in respect of the Resolutions to be proposed at the AGM. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting. Your proxy will have the authority to vote at his/her discretion on any amendment or other motion proposed at the AGM, including any motion to adjourn the AGM.
2. To appoint as a proxy a person other than the Chairman of the AGM insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
 - (a) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
 - (b) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'or, failing him/her, the Chairman of the AGM' and insert the name and address of your proxy in the space provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
 - (c) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the AGM'. All forms must be signed and should be returned together in the same envelope.
3. Unless otherwise indicated the proxy will vote as he/she thinks fit or, at his/her discretion, abstain from voting.
4. The Form of Proxy 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 2.00pm on 6 June 2017.
5. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
6. The 'Vote Withheld' option is to enable you to abstain on any particular Resolution. Such a vote is not a vote in law and will not be counted in the votes 'For' and 'Against' a Resolution.
7. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the Register of Members of the Company at 6.00pm on 6 June 2017 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so.





Porta Communications Plc
Sky Light City Tower
50 Basinghall Street
London EC2V 5DE

E: info@portacomms.com

T: +44 (0)20 7680 6500

F: +44 (0)20 7680 6510

W: portacomms.com

Designed and produced by 2112 Communications, London