

**21:12 COMMUNICATIONS LIMITED**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2018**



**Company Registration No. 06451756 (England and Wales)**

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**21:12 COMMUNICATIONS LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	Gene Golembiewski Phillip Hawkins Emma Kane
<b>Registration number</b>	06451756 (Registered in England and Wales)
<b>Registered office</b>	Sky Light City Tower 50 Basinghall Street London EC2V 5DE
<b>Bankers</b>	HSBC Bank Plc 9 The Boulevard Crawley, West Sussex RH10 1UT
<b>Auditors</b>	Grant Thornton UK LLP Victoria House 4th Floor 199 Avebury Boulevard Milton Keynes MK9 1AU

## **21:12 COMMUNICATIONS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Principal activities**

The principal activity of 21:12 Communications Limited ('the Company/Agency') is that of a multi-capability creative communications agency. Services provided by the Company include brand creation and development, direct marketing, artwork origination, re-touching and amendment, print buying, digital content development, video animation, creation and production, advertising, and website creation.

#### **Business review**

In 2018, the Agency's focus was on developing and strengthening existing client relationships, building its reputation through the delivery of brilliant work, and expanding its in-house capabilities in order to deliver an increased creative offering. This has resulted in a small EBITDA profit. Management believes the foundation of the business is exceptionally strong, and has the Agency positioned to deliver significant growth over the coming years.

BNY Mellon Investment Management EMEA Limited was once again the largest client for the Agency in terms of billing and activity. During 2018, the Agency added BNY Mellon Investment Management New York to its client list, adding to the BNY Mellon work already existing within the UK, EMEA, and APAC region. Hermes Investment Management also continues to develop, and the brand positioning developed by the agency in 2017 has been adopted by the majority owner, Federated Inc. Legal and General Investment Management has grown significantly as a client across 2018 and continues to produce some exciting work.

New business wins during 2018 include La Salle Investment Management, Lombard International Assurance, Nikko Asset Management, Thincats, and Velocity.

Further details on the Company's performance, including examples of client work undertaken during 2018, are given in the Joint CEO's Business Review of the Porta Communications Plc Annual Report 2018 and can be found on Porta's website.

#### **Results for the period and key performance indicators**

Gross profit was £2,705,488 which was an increase on prior year (2017: £2,693,570). The gross profit margin for the company has improved from 70% in 2017, to 76% for the year ended 31 December 2018 which reflects the greater level of in-house capability within the Agency. Operating and administrative expenses for the year increased to £2,719,892 (2017: £2,560,939). The loss for the year after taxation was £56,934 (2017: profit of £225,891).

## 21:12 COMMUNICATIONS LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

The table below shows the underlying earnings before interest, taxation, depreciation and amortisation (EBITDA) for the current reporting year.

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Operating (loss)/profit	(14,404)	132,631
Depreciation and amortisation	79,512	108,205
<b>Reported EBITDA</b>	<b>65,108</b>	<b>240,836</b>
<i>Add back exceptional costs:</i>		
Reorganisation costs	10,690	-
<b>Adjusted EBITDA</b>	<b>75,798</b>	<b>240,836</b>

#### Post year end and future outlook

On 3 September 2019, the Company's ultimate parent company, Porta Communications Plc, was acquired by SEC S.p.A, who subsequently changed their name to SEC Newgate S.p.A. on 4 September 2019. Therefore, the company's ultimate parent company is SEC Newgate S.p.A, a company incorporated and registered in Italy with company number 09628510159 and with its registered office at Milan, Via Ferrante Aporti, 8 - 20125.

Prior to 3 September, the company's ultimate parent company was Porta Communications Plc, a company incorporated and registered in England and Wales with company number 05353387 and with its registered office at 50 Basinghall Street, London, EC2V 5DE.

There have been no other material subsequent events to report from 31 December 2018 to the date that these accounts were approved on 24 September 2019.

#### Principal risks and uncertainties

The directors identified a number of risks which they believe may affect the Company's ability to deliver its strategic goals. A list of these risks is given 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.

#### Management of Growth

The ability of the Company 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 Company'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 Company's growth could have a detrimental impact on the trading performance of the Company. In mitigation the Company has an experienced management team and a clear strategy for the integration and management of the expected business growth.

***Attraction and Retention of Key Employees***

The Company will depend on the continued service and performance of the executive director and senior executives and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of the director and key employees could damage the Company's business. Equally the ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Company may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Company.

***Macroeconomic trends and client dependency (economic risk)***

The Company provides a creative communication service offering to its clients predominantly domiciled in the United Kingdom. Unfavourable changes in the economic conditions in the UK, home country of our clients, can increase the average debtor days' period and thus put pressure on the Company's working capital. These could also increase the risk of bad debts occurring as a result of clients' financial situation.

**Financial risk management**

Details of the Company's financial instruments and its policies with regard to financial risk management are given in note 13 to the financial statements.

**Approved by the board of directors and signed on behalf of the board**



**Gene Golembiewski**

**Director**

**24 September 2019**

## **21:12 COMMUNICATIONS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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

#### **Directors**

The following directors have served during the period or to the date of this report:

Rhydian Bankes (resigned 9 August 2019)

Gene Golembiewski

Phillip Hawkins

Emma Kane (appointed 9 August 2019)

#### **Business review and future outlook**

The review of the business for the year and the future outlook is given in the Strategic Report on pages 2-4.

#### **Going Concern**

The accounts have been prepared on a going concern basis on the assumption that the Company's parent undertaking, and other group companies, will make adequate funds available to the Company should they be required, in order for it to meet its liabilities as and when they fall due. The Company's parent undertaking has confirmed in writing that such support will be afforded where requested.

The Company's forecast and projections show that the Company should be able to operate within the level of its current financial means, for at least the twelve months from the signing of these financial Statements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing the financial statements.

#### **Dividends**

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

#### **Substantial shareholdings**

As at 31 December 2018, Porta Communications Plc and its subsidiaries hold 74% of the issued equity of the Company in A and B ordinary shares (2017: 74%). See note 12 to the financial statements for more details.

#### **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.

## **21:12 COMMUNICATIONS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

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#### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, the 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Company Act 2006. 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

#### **Disclosure of information to the auditors**

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
- that directors have taken all 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.

#### **Directors' Remuneration**

Only executive directors of the Company have been remunerated during the current reporting period. Further information is given in notes 5 and 15 to the financial statements.

**21:12 COMMUNICATIONS LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

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**Subsequent events**

On 3 September 2019, the Company's ultimate parent company, Porta Communications Plc, was acquired by SEC S.p.A, who subsequently changed their name to SEC Newgate S.p.A. on 4 September 2019. Therefore, the company's ultimate parent company is SEC Newgate S.p.A, a company incorporated and registered in Italy with company number 09628510159 and with its registered office at Milan, Via Ferrante Aporti, 8 - 20125.

Prior to 3 September, the company's ultimate parent company was Porta Communications Plc, a company incorporated and registered in England and Wales with company number 05353387 and with its registered office at 50 Basinghall Street, London, EC2V 5DE.

There have been no other material subsequent events to report from 31 December 2018 to the date that these accounts were approved on 24 September 2019.

**Auditors**

A resolution to appoint the Company's new auditor will be proposed in accordance with section 485 of the Companies Act 2006.

**Approved by the board of directors and signed on behalf of the board**



**Gene Golembiewski  
Director**

**24 September 2019**

## **21:12 COMMUNICATIONS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21:12 COMMUNICATIONS LIMITED**

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#### **Opinion**

We have audited the financial statements of 21:12 Communications Limited for the year ended 31 December 2018 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **21:12 COMMUNICATIONS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21:12 COMMUNICATIONS LIMITED (continued)**

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## 21:12 COMMUNICATIONS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21:12 COMMUNICATIONS LIMITED (continued)

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

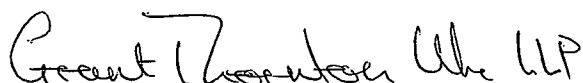
#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Use of our report**

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



**Christopher Frostwick MA ACA**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes

**27 September 2019**

## 21:12 COMMUNICATIONS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
<b><i>Continuing operations</i></b>			
Revenue	2,3	3,563,006	3,864,165
Cost of sales		(857,518)	(1,170,595)
<b>Gross profit</b>		<b>2,705,488</b>	<b>2,693,570</b>
Impairment loss on trade receivables and contract assets		(2,260)	-
Operating and administrative expenses		(2,717,632)	(2,560,939)
<b>Operating (loss)/profit</b>		<b>(14,404)</b>	<b>132,631</b>
Finance expense	6	(59,826)	(74,568)
<b>(Loss)/Profit before taxation</b>		<b>(74,230)</b>	<b>58,063</b>
Taxation credit	7	17,296	167,828
<b>(Loss)/Profit for the year being total comprehensive income</b>		<b>(56,934)</b>	<b>225,891</b>

The company has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 17.

Accompanying notes are an integral part of these financial statements.

**21:12 COMMUNICATIONS LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Notes	31 December 2018 £	31 December 2017 £
<b>Non-current assets</b>			
Intangible assets	8	752,339	815,777
Property, plant and equipment	9	14,584	10,305
Deferred tax assets	7	156,429	153,644
<b>Total non-current assets</b>		<b>923,352</b>	<b>979,726</b>
<b>Current assets</b>			
Work in progress		-	255,361
Contract assets	3	3,500	-
Contract cost assets	3	10,830	-
Trade and other receivables	10	530,898	670,329
Related party receivables	15	84,701	85,514
Cash and cash equivalents		80,125	317,762
<b>Total current assets</b>		<b>710,054</b>	<b>1,328,966</b>
<b>Current liabilities</b>			
Trade and other payables	11	(276,895)	(770,022)
Contract liabilities	3	(8,039)	-
Related party payables	15	-	(11,434)
<b>Total current liabilities</b>		<b>(284,934)</b>	<b>(781,456)</b>
<b>Net current assets</b>		<b>425,120</b>	<b>547,510</b>
<b>Non-current liabilities</b>			
Related party payables	15	(3,962,216)	(4,069,535)
Deferred tax liabilities	7	(29,037)	(43,548)
<b>Total non-current liabilities</b>		<b>(3,991,253)</b>	<b>(4,113,083)</b>
<b>Net liabilities</b>		<b>(2,642,781)</b>	<b>(2,585,847)</b>
<b>Equity</b>			
Share capital	12	2,500	2,500
Retained earnings		(2,645,281)	(2,588,347)
<b>Total equity shareholders' funds</b>		<b>(2,642,781)</b>	<b>(2,585,847)</b>

The financial statements were approved by the Board of Directors on 24 September 2019 and were signed on its behalf by:



**Gene Golembiewski**  
Director

Company registration number: 06451756

The company has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 17.

Accompanying notes are an integral part of these financial statements.

**21:12 COMMUNICATIONS LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2018</b>	<b>2,500</b>	<b>(2,588,347)</b>	<b>(2,585,847)</b>
<i>Total comprehensive income</i>			
Loss for the year	-	(56,934)	(56,934)
Total comprehensive income	-	(56,934)	(56,934)
<b>Balance at 31 December 2018</b>	<b>2,500</b>	<b>(2,645,281)</b>	<b>(2,642,781)</b>

	Share capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2017	2,500	(2,814,238)	(2,811,738)
<i>Total comprehensive income</i>			
Profit for the year	-	225,891	225,891
Total comprehensive income	-	225,891	225,891
Balance at 31 December 2017	2,500	(2,588,347)	(2,585,847)

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

**21:12 COMMUNICATIONS LIMITED**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
<b>Cash flow from operating activities</b>		
(Loss)/Profit before taxation	(74,230)	58,063
<b>Adjusted for:</b>		
Depreciation and amortisation	79,512	108,205
Finance costs	916	15,658
Intercompany interest charge	58,910	-
Foreign exchange loss	688	-
Decrease in contract assets	196,500	-
Decrease in contract cost assets	44,532	-
Increase in work in progress	-	(30,520)
Decrease/(Increase) in trade and other receivables	139,432	(183,582)
Decrease in trade and other payables	(326,306)	(130,855)
Decrease in contract liabilities	(169,947)	-
(Decrease)/increase in amounts due to related parties	(176,880)	434,470
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(226,873)</b>	<b>271,439</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	-	(9,360)
Acquisition of property, plant and equipment	(9,848)	(10,309)
<b>Net cash outflow from investing activities</b>	<b>(9,848)</b>	<b>(19,669)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	-	(12,933)
Interest paid	(916)	(2,725)
<b>Net cash outflow from financing activities</b>	<b>(916)</b>	<b>(15,658)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(237,637)</b>	<b>236,112</b>
Cash and cash equivalents at 1 January	317,762	81,650
<b>Cash and cash equivalents at 31 December</b>	<b>80,125</b>	<b>317,762</b>

The company has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and the impact on comparative information can be found in note 17.

Accompanying notes are an integral part of these financial statements.

**1. Accounting policies**

The principal accounting policies are summarised below.

**(a) Basis of preparation**

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

The financial statements have been prepared under the historical cost convention and on a going concern basis.

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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under accounting policy (s).

***New and amended standards adopted by the Company***

The Company has applied the following standards for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers – replacing IAS 18 Revenue Recognition. The Company has amended its accounting policies following the adoption of IFRS 15 and has provided additional disclosures, as required, which can be found in note 3. The impact of adopting IFRS 15 has been further explained in note 17.
- IFRS 9 Financial Instruments – replacing IAS 39 Financial Instruments: Recognition and Measurement. The Company has amended its accounting policies and reclassified financial assets and liabilities following the adoption of IFRS 9. The impact of adopting IFRS 9 has been further explained in note 17.

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

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

- IFRS 16 Leases requires that certain operating leases be capitalised and an asset and a financial liability recognised in respect of those leases. As at the reporting date, the Company has non-cancellable operating lease commitments of £15,997, see note 14. The impact of IFRS 16 on the financial statements of the Company on 1 January 2019 is expected to be the recognition of right of use assets of £16,806 and lease liabilities of £16,213.

As a result of adopting IFRS 16, the Company expects that net profit after tax will decrease by £436 and adjusted EBITDA will increase by £7,110 for the year ended 31 December 2019. Operating lease expenditure previously included in EBITDA is now expensed via amortisation of the right-of-use assets and interest on the lease liability, the latter of which is excluded from the EBITDA measure.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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Operating cash flows will increase and financing cash flows will decrease by approximately £7,110 for the year ended 31 December 2019 as repayment of the lease liabilities will now be classified under cash flows from financing activities.

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

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

#### **(b) Going concern**

The accounts have been prepared on a going concern basis on the assumption that the Company's parent undertaking, and other group companies, will make adequate funds available to the company should they be required, in order for it to meet its liabilities as and when they fall due. The Company's parent undertaking has confirmed in writing that such support will be afforded where requested.

The Company's forecast and projections show that the Company should be able to operate within the level of its current financial means, for at least the twelve months from the signing of these financial Statements. The directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing the financial statements.

#### **(c) Foreign currency translation**

The 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.

#### **(d) Revenue from contracts with customers**

The Company has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in note 17.

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

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

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

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### (continued)

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

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

#### **(e) Segmental reporting**

The Board considers that the Company has a single business segment which delivers marketing and advertising services. The revenue, expenditure and result reported in the Statement of Comprehensive Income and the assets and liabilities reported in the Statement of Financial Position all relate to this single segment.

#### **(f) Contract assets, contract cost assets and contract liabilities**

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

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

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

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

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

**(g) Trade receivables**

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

**(h) 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.

**(i) Share capital and reserves**

Ordinary shares are classified as equity. Reserves consist of retained earnings of the business.

**(j) Intangible assets**

Intangible assets comprise acquired goodwill, separable corporate brand names, acquired customer relationships and website development costs, software and other licences.

Goodwill represents the excess of fair value attributed to investments in businesses over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill has indefinite useful life and is therefore not amortised. The 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. Acquired goodwill arises within the accounts as a result of transfers from associated group companies and is subject to the above impairment testing.

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 Company.

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 is 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.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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 lists	5 years, straight line
Websites, software and licences	3 years, straight line

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

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

#### **(k) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment – 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### **(l) Impairment of non-current assets**

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

#### **(m) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise current bank accounts, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. In addition, in the Statement of Cash Flow, bank overdrafts are included within cash and cash equivalents to the extent they are used for cash management purposes.

#### **(n) Leasing commitments**

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases (net of any incentives received) are charged as operating costs to the 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.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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#### **(o) Finance Costs**

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

#### **(p) Taxation including deferred taxation**

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

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

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 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 nor loss, it is not accounted for.

Deferred tax assets are recognised to the extent that the Company believes it is probable that future taxable profit will be available against which temporary timing differences and carry forward of unused tax credits/losses can be utilised. The Company's assessment of the recoverability of deferred tax assets is based on forecasts of the future profitability of the Company and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

#### **(q) Business combinations**

Business combinations are accounted for using acquisition accounting method. The cost of 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. Acquisition costs incurred are expected and included in administrative expenses except where they relate to the issue of debt or equity instruments in the connection with the acquisition.

#### **(r) Financial instruments**

##### ***Recognition and initial measurement***

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

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

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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#### *Classification and subsequent measurement*

##### ***Financial assets – Policy applicable from 1 January 2018***

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

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

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

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

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

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

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

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

##### ***Financial assets – Policy applicable before 1 January 2018***

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
(continued)

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***Impairment of financial assets***

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 10 for further details.

Previously, up until 31 December 2017, the Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

***Financial liabilities – Classification, subsequent measurement and gains and losses***

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

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

Please find further details concerning the Company's financial instruments in note 13.

**(s) 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 Company 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.

- ***Impairment of goodwill and intangible assets***

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

- ***Recoverability of amounts due from subsidiaries and related parties***

Whether the carrying value of 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.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

- **Revenue recognition**

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

- **Customer contracts containing variable consideration**

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

## 2. Segmental reporting

### *Operating segments*

The Company has only one operating segment: the provision of marketing and advertising services.

### *Geographical segments*

Revenue based on the geographic location of the Company's customers, arises as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
UK	3,433,818	3,860,805
Rest of world	129,188	3,360
	<b>3,563,006</b>	<b>3,864,165</b>

### *Major customers*

Two customers (2017: three) each represent more than 10% of the revenue for the year as follows:

2018 Customer Sector	Revenue arising £	Country
Fulfilment services provider	830,502 (23%)	UK
Insurance company	551,545 (15%)	UK
2017 Customer Sector	Revenue arising £	Country
Fulfilment services provider	742,434 (19%)	UK
Financial services company	674,180 (17%)	UK
Insurance company	548,644 (14%)	UK

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

#### 3. Revenue from Contracts with Customers

The Company has initially applied IFRS 15 at 1 January 2018 using the cumulative effect method, under which comparative information is not restated. The Company has therefore not presented the below disclosures for 31 December 2017. The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in note 17.

##### *(a) Disaggregation of revenue from contracts with customers*

The Company generates revenue from the transfer of services by the following contract types:

Type of contract	Year ended 31 December 2018 £
Project revenue	2,910,383
Retainer revenue	644,856
Recharged costs	6,767
Other revenue	1,000
	<b>3,563,006</b>

The Company disaggregates revenue from contracts with customers by contract type and primary geographical market (note 2) as the Company believes it best depicts how the nature, amount and uncertainty of its revenue and cash flows are affected by economic factors.

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

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

The nature of services provided can vary significantly depending on the requirements of the customer. The Company provides a range of creative and studio services including video animation and production, illustration, photography, brand strategy and digital development.

##### *(b) Contract balances*

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

	Notes	31 December 2018 £
Receivables, which are included in 'trade and other receivables'	10	523,204
Contract assets		3,500
Contract liabilities		8,039

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

#### Revenue recognised in relation to contract liabilities

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

	Year ended 31 December 2018 £
<b>Revenue recognised in the year:</b>	
that was included in the contract liability balance at the beginning of the year	177,986
from the performance obligations satisfied in previous periods	-

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

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

	31 December 2018 £
Current asset recognised for costs incurred to fulfil a contract	10,830
<b>Contract cost assets</b>	<b>10,830</b>

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

	Year ended 31 December 2018 £
Amortisation and impairment recognised as cost of providing services during the year	932,247

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

#### *(d) Unsatisfied performance obligations*

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

**21:12 COMMUNICATIONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
(continued)****4. Expenses – analysis by nature**

Operating (loss)/profit for the period is stated after charging:

	<b>Year ended 31 December 2018 £</b>	Year ended 31 December 2017 £
Employment costs (see note 5)	<b>2,019,462</b>	1,856,832
Fees payable to the Company's auditors*:		
For audit of the financial statements	<b>19,150</b>	17,350
For tax compliance services	<b>3,650</b>	4,313
Depreciation and amortisation	<b>79,512</b>	108,205

\*Audit fee is payable by Porta Communications Plc, the ultimate parent company.

**5. Employment costs**

Employment costs during the year were as follows:

	<b>Year ended 31 December 2018 £</b>	Year ended 31 December 2017 £
Wages and Salaries	<b>1,709,784</b>	1,583,070
Pension costs	<b>87,690</b>	41,408
Social security costs	<b>167,947</b>	183,601
Other employment related welfare costs	<b>44,006</b>	41,117
Termination benefits	<b>10,035</b>	7,636
	<b>2,019,462</b>	1,856,832

The above analysis includes the remuneration of directors paid directly by the Company. The remuneration of directors, excluding state taxes for the year amounts to £272,054 (2017: £225,820 restated to exclude state taxes). The highest paid director, excluding state taxes was paid £272,054 (2017: £225,820); Mr Golembiewski and Mr Bankes are directors of the Company's ultimate parent company, Porta Communications Plc (Mr Bankes resigned on 9 August 2019) and are remunerated by that company for their services to the Group. Details of their remuneration are set out in the ultimate parent's group consolidated financial statements. Emma Kane is also a director of Porta Communications Plc but is not remunerated through that company.

The average monthly number of employees during the period, including executive directors, was as follows:

	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017
Sales and operations	<b>26</b>	25
Administration	<b>2</b>	3
	<b>28</b>	28

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
(continued)

6. Finance costs

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Bank interest	916	2,725
Interest payable on financing facility	-	12,933
Interest payable to group companies	58,910	58,910
	<b>59,826</b>	<b>74,568</b>

7. Taxation

The tax assessed for the year differs from the standard rate of corporation tax in the UK 19% (2017: 19.25%) as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
(Loss)/Profit before taxation on continuing activities	(74,230)	58,063
Income tax credit/(charge) computed at the statutory tax rate on profit/(loss) before taxation on all activities	14,104	(11,177)
Expenses not deductible for tax purposes	(1,634)	387
Tax losses not relieved or recognised	694	31,049
Unrecognised tax losses now relieved and carried forward	-	150,421
Depreciation in excess of tax allowance	5,633	-
Changes in tax rate in respect of deferred taxation	(1,501)	(2,852)
<b>Total tax credit for the year</b>	<b>17,296</b>	<b>167,828</b>

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax	-	-
Deferred tax	17,296	167,828
<b>Total tax credit for the year</b>	<b>17,296</b>	<b>167,828</b>

**21:12 COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
**(continued)**

Deferred tax assets and liabilities are attributable to the following:

<b>31 December 2018</b>	<b>Assets</b> <b>£</b>	<b>Liabilities</b> <b>£</b>	<b>Net</b> <b>£</b>
Fixed assets	2,856	-	<b>2,856</b>
Intangible assets	-	(29,037)	<b>(29,037)</b>
Current liabilities	950	-	<b>950</b>
Tax losses carried forward	152,623	-	<b>152,623</b>
<b>Net tax asset</b>	<b>156,429</b>	<b>(29,037)</b>	<b>127,392</b>

<b>31 December 2017</b>	<b>Assets</b> <b>£</b>	<b>Liabilities</b> <b>£</b>	<b>Net</b> <b>£</b>
Fixed assets	-	(2,755)	(2,755)
Intangible assets	-	(40,793)	(40,793)
Current Liabilities	634	-	634
Tax losses carried forward	153,010	-	153,010
<b>Net tax asset</b>	<b>153,644</b>	<b>(43,548)</b>	<b>110,096</b>

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

	<b>Balance at</b> <b>1 January 2018</b> <b>£</b>	<b>Recognised in</b> <b>comprehensive</b> <b>income</b> <b>£</b>	<b>Balance at</b> <b>31 December</b> <b>2018</b> <b>£</b>
Fixed assets	(2,755)	5,611	<b>2,856</b>
Intangible assets	(40,793)	11,756	<b>(29,037)</b>
Current liabilities	634	316	<b>950</b>
Tax losses carried forward	153,010	(387)	<b>152,623</b>
<b>Net tax asset</b>	<b>110,096</b>	<b>17,296</b>	<b>127,392</b>

	<b>Balance at</b> <b>1 January 2017</b> <b>£</b>	<b>Recognised in</b> <b>comprehensive</b> <b>income</b> <b>£</b>	<b>Balance at</b> <b>31 December</b> <b>2017</b> <b>£</b>
Fixed assets	4,184	(6,939)	(2,755)
Intangible assets	(61,916)	21,123	(40,793)
Current liabilities	-	634	634
Tax losses carried forward	-	153,010	153,010
<b>Net tax asset</b>	<b>(57,732)</b>	<b>167,828</b>	<b>110,096</b>

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
(continued)

8. Intangible assets

	Goodwill	Customer relationships	Brands	Websites, software and licences	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2017	594,295	326,667	172,661	12,121	1,105,744
Additions in year				9,360	9,360
Disposals in year				(2,392)	(2,392)
<b>At 31 December 2017</b>	<b>594,295</b>	<b>326,667</b>	<b>172,661</b>	<b>19,089</b>	<b>1,112,712</b>
Disposals in year	-	-	-	(6,323)	(6,323)
At 31 December 2018	594,295	326,667	172,661	12,766	1,106,389
<b>Amortisation</b>					
At 1 January 2017	-	(153,333)	(36,417)	(7,875)	(197,625)
Charge for the year	-	(78,667)	(19,000)	(4,035)	(101,702)
Disposals in year	-	-	-	2,392	2,392
<b>At 31 December 2017</b>	<b>-</b>	<b>(232,000)</b>	<b>(55,417)</b>	<b>(9,518)</b>	<b>(296,935)</b>
Charge for the year	-	(48,000)	(11,083)	(4,355)	(63,438)
Disposals in year	-	-	-	6,323	6,323
At 31 December 2018	-	(280,000)	(66,500)	(7,550)	(354,050)
<b>Net book value</b>					
At 1 January 2017	594,295	173,334	136,244	4,246	908,119
At 31 December 2017	594,295	94,667	117,244	9,571	815,777
<b>At 31 December 2018</b>	<b>594,295</b>	<b>46,667</b>	<b>106,161</b>	<b>5,216</b>	<b>752,339</b>

The average remaining amortisation period for customer relationship intangibles recognised at 31 December 2018 is approximately 1 years (2017: 2 years) and for brands, 5 years (2017: 6 years).

**Impairment testing for goodwill**

The recoverable amount of the cash generating unit 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 three-year forecasts approved by the Board and based on management's estimate of the business within the cash-generating unit, for two years thereafter based on an average growth projection, and a long-term growth rate into perpetuity. The resulting cash flows have been discounted using a pre-tax weighted average cost of capital of 15.2% (2017: 13.0%), and a terminal growth rate of 2.5% (2017: 2.5%) has been applied in perpetuity. The discount rate was based on the risk-free rate obtained from UK Government Gilts, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk specific to the Porta Group.

The results of the impairment testing indicated that no provision for impairment was required.

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
(continued)

9. Property, plant and equipment

	Office Equipment
	£
<b>Cost</b>	
At 1 January 2017	101,969
Additions in the year	10,309
Disposals in year	(81,755)
<b>At 31 December 2017</b>	<b>30,523</b>
Additions in year	20,353
Disposals in year	(737)
At 31 December 2018	50,139
<b>Depreciation</b>	
At 1 January 2017	(95,470)
Charge in the year	(6,503)
Disposals in year	81,755
<b>At 31 December 2017</b>	<b>(20,218)</b>
Charge for the year	(16,074)
Disposals in year	737
At 31 December 2018	(35,555)
<b>Net book value</b>	
At 1 January 2017	6,499
At 31 December 2017	10,305
<b>At 31 December 2018</b>	<b>14,584</b>

10. Trade and other receivables

	31 December 2018	31 December 2017
	£	£
Trade receivables	526,136	698,540
Less: provision for impairment	(2,932)	(34,819)
Net trade receivables	523,204	663,721
Other receivables	4,246	3,576
Prepayments	3,448	3,032
	<b>530,898</b>	<b>670,329</b>

Trade and other receivables are non-interest bearing and generally have a 30-day term. Due to the short maturities, the fair value of trade receivables approximates their carrying value.

**21:12 COMMUNICATIONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)**

The Company applies the IFRS 9 simplified impairment approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others: the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a significant period past its due date. Impairment losses on trade receivables and contract assets recognised in the Statement of Comprehensive Income during the year was £2,260 (2017: £11,593). Subsequent recoveries of amounts previously written off are credited against the same line item.

The movement on the provision for impairment for the year was as follows:

	<b>31 December 2018</b>	31 December 2017
	<b>£</b>	£
At 1 January	<b>34,819</b>	46,740
Charge in the year	<b>1,220</b>	15,929
Amounts written off during the year	<b>(33,107)</b>	(25,029)
Amounts recovered during the year	<b>-</b>	(2,821)
<b>At 31 December</b>	<b>2,932</b>	34,819

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

	<b>31 December 2018</b>	31 December 2017
	<b>£</b>	£
Neither due nor impaired	<b>193,415</b>	360,282
Up to 3 months past due but not impaired	<b>149,929</b>	301,639
3 to 6 months	<b>20</b>	1,800
6 to 12 months	<b>179,840</b>	-
1 year or more past due	<b>-</b>	-
	<b>523,204</b>	663,721

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

#### 11. Trade and other payables

	31 December 2018	31 December 2017
	£	£
Trade payables	77,740	287,571
Social security and other taxes	146,590	149,002
Other payables	6,137	3,655
Deferred income <sup>1</sup>	-	177,986
Accrued liabilities	46,420	151,808
	<b>276,895</b>	<b>770,022</b>

<sup>1</sup> The Company has initially applied IFRS 15 at 1 January 2018 using the cumulative effect method under which comparative information is not restated. The effect of initially applying IFRS 15 on the Company's financial statements is described in note 17.

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 52 days (2017: 20 days). No interest is charged on the outstanding balances. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

#### 12. Called up share capital

	31 December 2018		31 December 2017	
	No.	£	No.	£
<b><i>Allotted, called up and fully paid</i></b>				
A ordinary shares of £1 each	1,500	1,500	1,500	1,500
B ordinary shares of £1 each	1,000	1,000	1,000	1,000
		<b>2,500</b>		<b>2,500</b>

The A ordinary shares in the capital of the Company entitle the holders of those shares to 60% of dividends declared and up to 60% of the capital on a winding up. The B ordinary shares entitle the holders of those to 40% of the dividends declared and 40% of the capital on a winding up. The A shares carry 60% of the vote and the B shares carry 40% of the vote in any general meeting of the Company. The A shareholders may appoint up to 3 directors of the Company and may also appoint, from the directors, the chairman of any meeting who shall have the casting vote. The B shareholders may appoint up to 2 directors. In all other respects the A ordinary shares and B ordinary shares rank para passu.

Porta Communications Plc ultimately own 1500 A ordinary shares and 350 B Ordinary shares of 21:12 Communications Limited. This equates to a 74% holding in 21:12 Communications Limited at 31 December 2018 (2017: 74%).

**21:12 COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**(continued)**

**13. Financial instruments – Risk management**

The Company's financial assets and liabilities comprise cash and cash equivalents and financial assets and liabilities held at amortised cost, all of which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations. The Company does not use or trade in derivative financial instruments.

	<b>31 December 2018</b>	31 December 2017
	£	£
<b>Cash and cash equivalents</b>	<b>80,125</b>	317,762
	<b>80,125</b>	317,762

	<b>31 December 2018</b>	31 December 2017
	£	£
<b>Financial assets – held at amortised cost</b>		
Contract assets	3,500	-
Trade receivables	523,204	663,721
Other debtors	4,246	3,576
Related party receivables	84,701	85,514
	<b>615,651</b>	752,811

	<b>31 December 2018</b>	31 December 2017
	£	£
<b>Financial liabilities – held at amortised cost</b>		
Trade payables	77,740	287,571
Other payables	6,137	3,655
Accrued liabilities	46,420	151,808
Related party payables – non-current	3,962,216	4,080,969
	<b>4,092,513</b>	4,524,003

All of the above financial assets and financial liabilities carrying values approximate their fair values as at 31 December 2018 and 31 December 2017, given their nature and short maturity periods.

The main risks arising from the financial instruments of the Company are credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing these risks and they are summarised below. These policies have remained unchanged during the financial period.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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#### ***Credit Risk***

The Company's credit risk is primarily attributable to its trade receivables. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The directors consider that all of the above financial assets that are not impaired for each reporting date under review are of good credit quality, based on financial information and past trading history including those that are past due.

At 31 December 2018, the company was not exposed to any significant credit risk exposure.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Company financed its operations during the year from reserves (see Statement of Changes in Equity) and from operating cash flows. Cash requirements are monitored on a rolling working capital forecast basis.

There are no changes in liabilities arising from financing activities since the Company has no external debt or funding.

The financial liabilities of the Company (none of which are derivative financial liabilities) have contracted maturities, which are summarised below:

	<b>31 December 2018 £</b>	31 December 2017 £
Due in less than 6 months	<b>130,297</b>	443,034
Due in more than 1 year	<b>3,962,216</b>	4,080,969
	<b>4,092,513</b>	4,524,003

#### ***Currency exchange risk***

The Company is not exposed to any significant fair value risk in relation to currency exchange risk. All customer and supplier invoices are predominantly issued in the Company's functional currency.

#### ***Capital risk***

The Company defines capital as the equity shown in the Statement of Financial Position. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

#### 14. Operating leases

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Less than one year	7,110	6,152
Between one and five years	8,887	1,538
More than five years	-	-
	<b>15,997</b>	<b>7,690</b>

#### 15. Related party transactions

##### *Key management personnel*

In the opinion of the board, all directors of the Company, are regarded as key management personnel. Key management personnel compensation, including state taxes was £304,242 (2017: £255,743).

There were no amounts outstanding to any director as at 31 December 2018 or 31 December 2017.

##### *Other related party transactions*

The Company has entered into various transactions with the parent undertaking (Porta) or other related entities which are under common control. These transactions relate to expense recharges or services received or provided during the period. A summary of the transactions are as follows.

<i>Other related party transactions</i>	Nature of transactions	Value of transactions in period			
		Charged by Company £	Charged to Company £	Charged by Company £	Charged to Company £
Porta Communications Plc	Management fees	-	81,204	-	80,844
	Recharged costs	18,280	-	23,466	-
	Rent	-	258,720	-	241,850
	Interest	-	58,910	-	58,910
Newgate Communications Limited	Group marketing and advertising services	54,767	4,500	59,063	-
	HR services	-	8,035	-	14,462
ICAS Limited	Group marketing and advertising services	9,037	59,476	6,684	38,523
Redleaf Polhill Limited	Group marketing and advertising services	1,540	-	-	-
Newgate Communications Pty Limited (Australia)	Group marketing and advertising services	-	-	-	1,246
PPS (Local and Regional) Limited	Group marketing and advertising services	-	-	-	4,808
		<b>83,624</b>	<b>683,355</b>	<b>89,213</b>	<b>440,643</b>

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

A summary of the net amount outstanding to or from related parties at the period end is as follows. All amounts are due from entities under common control, except where otherwise stated:

	31 December 2018	31 December 2017
	£	£
<b>Amounts receivable: due in less than one year</b>		
Newgate Communications Limited	47,151	47,964
Newgate Media Holdings Limited	37,550	37,550
	<b>84,701</b>	<b>85,514</b>
<b>Amounts payable: due in less than one year</b>		
Newgate Communications Pty Ltd (Australia)	-	(10,188)
ICAS Limited	-	(1,246)
	-	(11,434)
<b>Amounts payable: due in more than one year</b>		
Porta Communications Plc (ultimate parent company)	(3,962,216)	(4,069,535)
	<b>(3,962,216)</b>	<b>(4,069,535)</b>

The ultimate parent company has provided an undertaking to the Company to provide support for a period of at least 12 months from the date of approval of these financial statements subject to group funding requirements and accordingly amounts due to the ultimate parent company have been treated as a non-current liability.

All of the above transactions have been made at "arm's length", with each party acting in his or her own self-interest, and each transaction being based on the fair market value of the service purchased or sold.

#### 16. Ultimate parent company

Prior to 3 September 2019, the company's ultimate parent company was Porta Communications Plc, a company incorporated and registered in England and Wales with company number 05353387 and with its registered office at Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE.

On 3 September 2019, the Company's ultimate parent company, Porta Communications Plc, was acquired by SEC S.p.A, who subsequently changed their name to SEC Newgate S.p.A. on 4 September 2019. Therefore, the company's ultimate parent company is SEC Newgate S.p.A, a company incorporated and registered in Italy with company number 09628510159 and with its registered office at Milan, Via Ferrante Aporti, 8 - 20125.

For the year ended 31 December 2018, Porta Communications Plc is also the smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared.

**21:12 COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
(continued)

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

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

**(a) IFRS 15 Revenue from Contracts with Customers**

**Cumulative effect of initially applying IFRS 15**

The Company has adopted IFRS 15 from 1 January 2018 which resulted in changes to the accounting policies. The Company has applied the cumulative effect method in accordance with IFRS 15.C3(b) and has elected to apply IFRS 15 retrospectively only to contracts that were not completed at the date of initial application. Under the transition method chosen, comparative information has not been restated. The cumulative effect of the changes made to the Statement of Financial Position as at 1 January 2018 was nil.

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

**Impact of adoption**

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

		2018		
		As reported £	Adjustments £	Amounts with- out the adoption of IFRS 15 £
<b>Statement of Comprehensive Income</b>				
Revenue	(ii)	3,563,006	-	3,563,006
<b>Statement of Financial Position</b>				
Current assets				
Work in progress	(i)	-	10,830	10,830
Contract assets	(i)	3,500	(3,500)	-
Contract cost assets	(i)	10,830	(10,830)	-
Trade and other receivables	(i)	530,898	3,500	534,398
Current liabilities				
Trade and other payables	(i)	(276,895)	(8,039)	(284,934)
Contract liabilities	(i)	(8,039)	8,039	-

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
**(continued)**

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

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

- Contract assets recognised in relation to customer contracts would have been previously presented as part of accrued income (£3,500) within trade and other receivables;
- Contract liabilities in relation to customer contracts would have been previously included in income received in advance (£8,039) within trade and other payables; and
- Contract cost assets recognised in relation to costs incurred in fulfilling a contract would have been previously presented as part of work in progress (£10,830).

**(ii) Explanation of adjustment to revenue**

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

**(b) IFRS 9 Financial Instruments**

**Cumulative effect of initially applying IFRS 9**

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

The Company has applied IFRS 9 retrospectively in accordance with IFRS 9.7.2.1. This has resulted in changes to accounting policies, see note 1. The Company has also adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income (SCI). Previously, the Company's approach under IAS 39 was to include the impairment of trade receivables in operating and administrative expenses. Consequently, the Company has presented impairment losses on trade receivables and contract assets, amounting to £2,260, as a separate line item in the SCI for the year ended 31 December 2018.

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

**Change in the classifications of financial assets and financial liabilities**

On the date of initial application, 1 January 2018, the Company has classified its financial instruments into the appropriate IFRS 9 categories. The financial instruments of the Company were classified into the same measurement categories under IFRS 9 as they were previously classified under IAS 39. The reclassification of financial instruments, on adoption of IFRS 9, did not result in any changes to the measurement of amounts previously recognised under IAS 39.

**18. Subsequent events**

On 3 September 2019, the Company's ultimate parent company, Porta Communications Plc, was acquired by SEC S.p.A, who subsequently changed their name to SEC Newgate S.p.A. on 4 September 2019. Therefore, the company's ultimate parent company is SEC Newgate S.p.A, a company incorporated and registered in Italy with company number 09628510159 and with its registered office at Milan, Via Ferrante Aporti, 8 - 20125.

There are no other significant subsequent events which require disclosure up to the date that the financial statements were approved on 24 September 2019.