

21:12 COMMUNICATIONS LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2019



Company Registration No. 06451756 (England and Wales)

<b>CONTENTS</b>	<b>PAGES</b>
Company Information	1
Strategic Report	2
Directors' Report	5
Independent Auditors' Report	8
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15

## 21:12 COMMUNICATIONS LIMITED

### COMPANY INFORMATION

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<b>Directors</b>	Andrew Golding Emma Kane Sergio Penna Fiorenzo Tagliabue Phillip Hawkins
<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>Auditor</b>	BDO LLP 55 Baker Street London WJU 7EU

## 21:12 COMMUNICATIONS LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Principal activities

The principal activity of 21:12 Communications Limited ('the Company/Agency/2112') is that of a multi-capability creative communications agency. Services provided by the Company include brand creation and development, strategic support, direct marketing, artwork origination, digital content development, video animation, advertising, and website creation.

#### Business review

During 2019, 2112 Communications continued to strengthen its relationships with key clients. In addition to this 2112 continues to attract new clients, build on its good reputation, and expand its capabilities to be able to deliver exceptional creative solutions.

Despite the tough political and economic climate, the agency was able to produce a small trading profit for the year ended 31<sup>st</sup> December 2019. 2112 was able to solidify its client base, with the addition of blue-chip clients such as HSBC Asset Management, Lombard International Assurance, Alliance Bernstein, T.Rowe Price, & The United Nations Association. The senior management team was strengthened with the appointment of Andrew Golding on 1<sup>st</sup> November 2019 and he has subsequently been appointed to the board.

The quality of the agencies work was recognised by receiving the awards for 'Best Content' at the Financial Services from Awards for marketing effectiveness 2019.

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

Gross profit was £2,719,994 which was an increase on prior year (2018: £2,705,488). The gross profit margin for the Company has improved from 76% in 2018, to 79% for the year ended 31 December 2019 which reflects the greater level of in-house capability within the Agency. Operating and administrative expenses for the year increased to £2,704,902 (2018: £2,719,892). The loss for the year after taxation was £739,339 (2018: £56,934).

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

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>Operating loss</b>	<b>(672,622)</b>	<b>(14,404)</b>
Depreciation and amortisation	80,858	79,512
Impairment of goodwill	594,295	-
Impairment on disposal of other intangibles	93,419	-
<b>Reported EBITDA</b>	<b>95,950</b>	<b>65,108</b>
<b>Add back exceptional costs:</b>		
Reorganisation costs	-	10,690
<b>Adjusted EBITDA</b>	<b>95,950</b>	<b>75,798</b>

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

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**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 Company 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 directors 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 directors 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. The process around debtors and credit control is being monitored and controlled to mitigate the risk.

**Post year end and future outlook**

Despite the outbreak of Coronavirus, trading for the first quarter of 2020 has been strong. Business as usual has carried on for the Company, however the epidemic may have an impact during the next quarter as a result of projects being delayed or cancelled.

The Company has moved quickly to review and adjust costs where allowable, and is prioritising the management of cash in the short term. In addition to this, the Company continues to assess the suitability of both Government and third-party assistance as a contingency should it be required.

The Company has taken a positive approach to the Covid-19 lockdown, and has taken the opportunity to unveil a number of new business initiatives, including social media campaigns, website redesign and new proposition development. New business continues to be a focal point, with a number of significant wins occurring during the crisis so far.

**21:12 COMMUNICATIONS LIMITED**

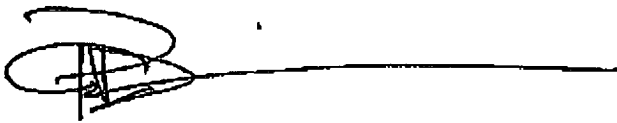
**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

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**Financial risk management**

Details of the Company's financial instruments and its policies with regard to financial risk management are given in note 14 to the financial statements.

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

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line extending to the right.

**Phillip Hawkins  
Director**

**17 August 2020**

## **21:12 COMMUNICATIONS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2019.

#### **Directors**

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

Rhydian Bankes (resigned 9 August 2019)

Gene Golembiewski (resigned 12 November 2019)

Phillip Hawkins

Emma Kane (appointed 9 August 2019)

Sergio Penna (appointed 15 June 2020)

Fiorenzo Tagliabue (appointed 12 November 2019)

Federico Vecchio (appointed 12 November 2019, resigned 15 June 2020)

Andrew Golding (appointed 20 November 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 financial statements have been prepared on a going concern basis on the assumption that the company's ultimate parent company, 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 ultimate parent company has confirmed in writing that it is its intention to provide financial support to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the approval of the financial statements.

The Company operates in a highly competitive environment and, in line with other similar businesses, the challenge is to ensure that contract win rates are at acceptable levels. The Directors believe this is achieved by ensuring that the consultancy and services provided to clients are of a standard and quality that makes the Company highly competitive and provides excellent value. This is enhanced by the depth and breadth of our experience, knowledge and expertise.

The Company continues to monitor the effect the British exit from the European Union may have on doing business in the EU-market and assessing ways to mitigate any risks.

At this date it is too early to accurately assess whether the COVID-19 virus will have a material economic impact on the business in 2020 and beyond. In response to the outbreak and for the health and well-being of our staff and broader benefits to public health and safety, the Company has closed all physical offices and has shifted to working remotely. The Company already had the systems and technology infrastructure in place to quickly transition to an effective remote work environment. Business has continued as usual since the transition.

## **21:12 COMMUNICATIONS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

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The Company continues to closely monitor this rapidly evolving health emergency and recommendations from the World Health Organization (WHO) and local authorities to help ensure both the safety of our staff and business continuity for our clients. 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, as detailed in note 1 to the financial statements.

#### **Dividends**

The directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: £nil).

#### **Substantial shareholdings**

As at 31 December 2019, SEC Newgate S.p.A and its subsidiaries hold 74% of the issued equity of the Company in A and B ordinary shares (2018: 74%). See note 16 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.

#### **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 profit or loss and state of affairs of the Company and 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; and
- 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; and

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.

**21:12 COMMUNICATIONS LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

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**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 auditors are aware of that information.

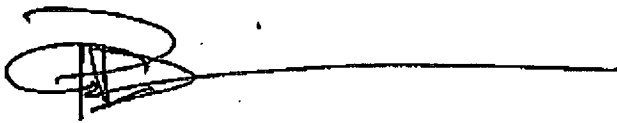
**Directors' Remuneration**

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.

**Auditor**

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**

A handwritten signature in black ink, consisting of a stylized 'P' and 'H' followed by a long horizontal line extending to the right.

**Phillip Hawkins  
Director  
17 August 2020**

## **21:12 COMMUNICATIONS LIMITED**

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

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#### **Opinion**

We have audited the financial statements of 21:12 Communications Ltd (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in 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 2019 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.

#### **Material uncertainty in relation to going concern**

We draw attention to the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. Despite the Company's continued strong track record since the start of the pandemic, the Directors have considered the potential future scenarios where the short-term project work, on which the business relies and support from its ultimate parent company, SEC Newgate S.p.A, may be adversely affected by the impact of COVID-19. These conditions, and as stated in note 1 to the financial statements indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

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

## **21:12 COMMUNICATIONS LIMITED**

### **REPORT OF THE INDEPENDENT AUDITORS' 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, including the Strategic Report and Directors' Report 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

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

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 and the Directors' Report.

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

- adequate accounting records have not been kept, 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

#### **Responsibilities of directors**

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

### REPORT OF THE INDEPENDENT AUDITORS' 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**

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.

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.

BDO LLP /

Peter Smithson (Senior Statutory Auditor)  
For and on behalf of  
**BDO LLP, Statutory Auditor**  
London

17 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**21:12 COMMUNICATIONS LIMITED****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b><i>Continuing operations</i></b>			
Revenue	2,3	3,454,169	3,563,006
Cost of sales		(734,175)	(857,518)
<b>Gross profit</b>		<b>2,719,994</b>	<b>2,705,488</b>
Impairment loss on trade receivables and contract assets		(120)	(2,260)
Impairment of intangibles	4	(687,714)	-
Operating and administrative expenses		(2,704,782)	(2,717,632)
<b>Operating loss</b>		<b>(672,622)</b>	<b>(14,404)</b>
Finance expense	6	(76,220)	(59,826)
<b>Loss before taxation</b>		<b>(748,842)</b>	<b>(74,230)</b>
Taxation credit	7	9,503	17,296
<b>Loss for the year being total comprehensive loss</b>		<b>(739,339)</b>	<b>(56,934)</b>

The Company has initially applied IFRS 16 at 1 January 2019 and the impact on comparative information can be found in note 17. Accompanying notes on pages 15 to 38 are an integral part of these financial statements.

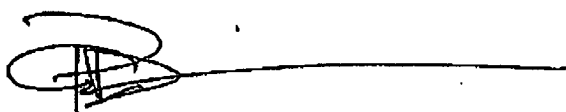
**21:12 COMMUNICATIONS LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 £	31 December 2018 £
<b>Non-current assets</b>			
Intangible assets	8	1,193	752,339
Property, plant and equipment	9	32,065	14,584
Deferred tax assets	7	137,555	156,429
<b>Total non-current assets</b>		<b>170,813</b>	<b>923,352</b>
<b>Current assets</b>			
Contract assets	3	4,000	3,500
Contract cost assets	3	11,200	10,830
Trade and other receivables	10	337,130	530,898
Related party receivables	15	142,627	84,701
Cash and cash equivalents		494,506	80,125
<b>Total current assets</b>		<b>989,463</b>	<b>710,054</b>
<b>Current liabilities</b>			
Trade and other payables	11	(461,266)	(276,895)
Contract liabilities	3	(183,948)	(8,039)
Short-term lease liabilities	12	(5,847)	-
<b>Total current liabilities</b>		<b>(651,061)</b>	<b>(284,934)</b>
<b>Net current assets</b>		<b>338,402</b>	<b>425,120</b>
<b>Non-current liabilities</b>			
Related party payables	15	(3,885,042)	(3,962,216)
Long-term lease liabilities	12	(5,633)	-
Deferred tax liabilities	7	(660)	(29,037)
<b>Total non-current liabilities</b>		<b>(3,891,335)</b>	<b>(3,991,253)</b>
<b>Net liabilities</b>		<b>(3,382,120)</b>	<b>(2,642,781)</b>
<b>Equity</b>			
Share capital	13	2,500	2,500
Retained earnings		(3,384,620)	(2,645,281)
<b>Total equity shareholders' funds</b>		<b>(3,382,120)</b>	<b>(2,642,781)</b>

The Company has initially applied IFRS 16 at 1 January 2019 and the impact on comparative information can be found in note 17. Accompanying notes on pages 15 to 38 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 August 2020 and were signed on its behalf by:



**Phillip Hawkins**  
Director

Company registration number: 06451756

21:12 COMMUNICATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2019</b>	2,500	(2,645,281)	(2,642,781)
<i>Total comprehensive income</i>			
Loss for the year	-	(739,339)	(739,339)
Total comprehensive income	-	(739,339)	(739,339)
<b>Balance at 31 December 2019</b>	2,500	(3,384,620)	(3,382,120)

	Share capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2018	2,500	(2,588,347)	(2,585,847)
<i>Total comprehensive income</i>			
Loss for the year	-	(56,934)	(56,934)
Total comprehensive income	-	(56,934)	(56,394)
Balance at 31 December 2018	2,500	(2,645,281)	(2,642,781)

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 2019**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>Cash flow from operating activities</b>		
Loss before taxation	(748,842)	(74,230)
<b>Adjusted for:</b>		
Depreciation and amortisation	80,859	79,512
Impairment of goodwill and other intangible assets	687,714	-
Finance costs	17,091	916
Intercompany interest charge	59,129	58,910
Foreign exchange loss	4,521	688
(Increase)/Decrease in contract assets	(500)	196,500
(Increase)/Decrease in contract cost assets	(370)	44,532
Decrease in trade and other receivables	193,175	139,432
Increase/(Decrease) in trade and other payables	163,465	(326,306)
Increase/(Decrease) in contract liabilities	175,909	(169,947)
Decrease in amounts due to related payables	(144,981)	(176,880)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>487,170</b>	<b>(226,873)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(6,612)	(9,848)
<b>Net cash outflow from investing activities</b>	<b>(6,612)</b>	<b>(9,848)</b>
<b>Cash flows from financing activities</b>		
Finance lease repayments	(6,516)	-
Interest paid	(59,661)	(916)
<b>Net cash outflow from financing activities</b>	<b>(66,177)</b>	<b>(916)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>414,381</b>	<b>(237,637)</b>
Cash and cash equivalents at 1 January	80,125	317,762
<b>Cash and cash equivalents at 31 December</b>	<b>494,506</b>	<b>80,125</b>

The Company has initially applied IFRS 16 at 1 January 2019 and the impact on comparative information can be found in note 17. Accompanying notes on pages 15 to 38 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 2019:

- IFRS 16 Leases – replacing IAS 17 Leases. The Company has amended its accounting policies following the adoption of IFRS 16 and has provided additional disclosures, as required, which can be found in note 12. The impact of adopting IFRS 16 has been further explained in note 17.

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

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

Certain new standards, amendments to standards and interpretations have been published that are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Going concern

On 11 March 2020, the World Health Organisation declared the outbreak of the coronavirus (COVID-19) a global pandemic. To date, there has been no material change to the Company's business or that of its ultimate parent company, SEC Newgate S.p.A. After reviewing and assessing the level of current activities and new project leads, the Directors are confident that the pandemic will not have a material adverse effect on the Company in the long run. In the short term, the Directors note that worst case scenario cash flow forecasts prepared using stress test methodology of restricting revenue to amounts already committed and excluding new uncommitted project revenue would negatively impact the business' cash flows and liquidity. The Directors, therefore continue to closely monitor business activity and to mitigate liquidity risk by pursuing

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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and winning new clients during this uncertain business environment, bolstering working capital reserves through decreased discretionary spend, and benefitting from available government initiatives.

The financial statements have been prepared on a going concern basis on the assumption that the company's ultimate parent company, 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 ultimate parent company has confirmed in writing that it is its intention to provide financial support to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the approval of the financial statements.

In accordance with the guidance issued by the Financial Reporting Council, the Directors have given specific consideration to the potential impact of the COVID-19 pandemic on the global economy, business environment in which the Group operates, and its business in particular.

The Directors have demonstrated the business' resilience and ability to adapt to the changing business environment by continuing to win new clients during this period of uncertainty. Despite the Company's continued strong track record since the start of the pandemic, as noted above the Directors have considered the potential future scenario where the short-term project work, on which the business relies, had been severely impacted by the pandemic and it might be difficult for the parent company to provide financial support. The Directors acknowledge that these extreme conditions indicate a material uncertainty exists that might cast significant doubt on the Company's ability to continue as a going concern and its ability to pay its liabilities as they fall due.

However, the Directors are confident that the financial support will continue and therefore have a reasonable expectation that the Company will be able to continue operations for the foreseeable future, at least twelve months from the date of signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

#### **(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**

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

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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price for each obligation will be determined based on the amount of input expected to be performed to complete each obligation relative to the total expected inputs to satisfy the contract.

Revenue, in relation to each performance obligation, is recognised over time as the services are rendered because there is a continuous transfer of control to the customer. The customer typically controls the work in progress as evidenced by the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

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**(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 (r) 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 2019 (continued)

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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) Leases**

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately below. The effect of initially applying IFRS 16 is described in note 17.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

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The Company leases various equipment. Rental contracts are typically for fixed periods of 1 to 10 years but may have extension and termination options.

***Policy applicable from 1 January 2019***

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys, throughout the period of use, the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The cost of the right-of-use asset is comprised of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred by the Company and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset and site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the length of the lease term from the commencement date if the asset is not retained by the Company. Otherwise the estimated useful lives of the right-of-use assets are determined on the same basis as tangible assets (see accounting policy (k)). The right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its original assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets within "Tangible assets". Lease liabilities are presented in its own separate line item in the Statement of Financial Position.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(continued)

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Lease payments for short-term leases, leases payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. For all other lease liability payments, the Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

#### ***Short-term leases and leases of low value***

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### ***Policy applicable before 1 January 2019***

For contracts entered into before 1 January 2019, leases where the lessor retains a significant portion of the risks and rewards of ownership were classified as operating leases. Rentals payable under operating leases (net of any incentives received) were charged as operating costs to the Statement of Comprehensive Income on a straight-line basis over the lease term.

#### **(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.

***Classification and subsequent measurement***

***Financial assets***

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

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

#### ***Financial assets***

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.

#### ***Impairment of financial assets***

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.

#### ***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.

Please find further details concerning the Company's financial instruments in note 14.

#### **(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). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

- **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.

- **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.

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

## 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 2019 £	Year ended 31 December 2018 £
UK	3,308,223	3,433,818
Rest of world	145,946	129,188
	<b>3,454,169</b>	<b>3,563,006</b>

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

#### Major customers

Two customers (2018: two) each represent more than 10% of the revenue for the year as follows:

2019 Customer Sector	Revenue arising £	Country
Asset Management	1,310,336 (38%)	UK
Asset Management	533,404 (15%)	UK

2018 Customer Sector	Revenue arising £	Country
Fulfilment services provider	830,502 (23%)	UK
Insurance company	551,545 (15%)	UK

### 3. Revenue from Contracts with Customers

#### (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 2019 £	Year ended 31 December 2018 £
Project revenue	2,764,699	2,910,383
Retainer revenue	683,532	644,856
Recharged costs	-	6,767
Other revenue	5,938	1,000
	<b>3,454,169</b>	<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.

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

**(b) Contract balances**

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

	Notes	31 December 2019 £	31 December 2018 £
Receivables, which are included in 'trade and other receivables'	10	323,272	523,204
Contract assets		4,000	3,500
Contract liabilities		183,948	8,039

**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 2019 £	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	8,039	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 2019 £	31 December 2018 £
Current asset recognised for costs incurred to fulfil a contract	11,200	10,830
<b>Contract cost assets</b>	<b>11,200</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 2019 £	Year ended 31 December 2018 £
Amortisation and impairment recognised as cost of providing services during the year	673,386	932,247

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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.

#### **4. Expenses – analysis by nature**

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

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Employment costs (see note 5)	2,064,734	2,019,462
Fees payable to the Company's auditors:		
For audit of the financial statements	20,500	19,150
For tax compliance services	1,450	3,650
Impairment of goodwill and other intangible assets	687,714	-
Depreciation and amortisation	80,859	79,512

#### **5. Employment costs**

Employment costs during the year were as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and Salaries	1,725,230	1,709,784
Pension costs	92,772	87,690
Social security costs	197,284	167,947
Other employment related welfare costs	49,448	44,006
Termination benefits	-	10,035
	2,064,734	2,019,462

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 £289,925 (2018: £272,054). The highest paid director, excluding state taxes, was paid £255,992 (2018: £272,054). Mr Fiorenzo Tagliabue is remunerated by the ultimate parent company and his remuneration is disclosed in the ultimate parent's group consolidated financial statements. Mr Federico Vecchio is remunerated by SEC Newgate UK Limited (formerly Porta Communications Plc), a fellow subsidiary and his remuneration is disclosed in their company financial statements. Mrs Kane is remunerated by fellow subsidiary Newgate Communications Limited and her remuneration is disclosed in those accounts.

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

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

	Year ended 31 December 2019	Year ended 31 December 2018
Sales and operations	25	26
Administration	2	2
	<b>27</b>	<b>28</b>

6. Finance costs

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Other interest	15,308	916
Finance lease interest	1,783	-
Interest payable to group companies	59,129	58,910
	<b>76,220</b>	<b>59,826</b>

7. Taxation

The tax assessed for the year differs from the standard rate of corporation tax in the UK 19% (2018: 19%) as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss before taxation on continuing activities	(748,842)	(74,230)
Income tax credit computed at the statutory tax rate on loss before taxation on all activities	142,280	14,104
Expenses not deductible for tax purposes	(117,707)	(1,634)
Tax losses not relieved or recognised	-	694
Group relief	1,038	-
Depreciation in excess of tax allowance	-	5,633
Changes in tax rate in respect of deferred taxation	(16,108)	(1,501)
<b>Total tax credit for the year</b>	<b>9,503</b>	<b>17,296</b>

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Current tax	-	-
Deferred tax	9,503	17,296
<b>Total tax credit for the year</b>	<b>9,503</b>	<b>17,296</b>

**21:12 COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)**

Deferred tax assets and liabilities are attributable to the following:

<b>31 December 2019</b>	<b>Assets £</b>	<b>Liabilities £</b>	<b>Net £</b>
Fixed assets	-	(660)	<b>(660)</b>
Current liabilities	998	-	<b>998</b>
Tax losses carried forward	136,557	-	<b>136,557</b>
<b>Net tax asset</b>	<b>137,555</b>	<b>(660)</b>	<b>136,895</b>

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

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

	<b>Balance at 1 January 2019 £</b>	<b>Recognised in comprehensive income £</b>	<b>Balance at 31 December 2019 £</b>
Fixed assets	2,856	(3,516)	<b>(660)</b>
Intangible assets	(29,037)	29,037	-
Current liabilities	950	48	<b>998</b>
Tax losses carried forward	152,623	(16,066)	<b>136,557</b>
<b>Net tax asset</b>	<b>127,392</b>	<b>9,503</b>	<b>136,895</b>
	<b>Balance at 1 January 2018 £</b>	<b>Recognised in comprehensive income £</b>	<b>Balance at 31 December 2018 £</b>
Fixed assets	(2,755)	5,611	2,856
Intangible assets	(40,793)	11,756	(29,037)
Current liabilities	634	316	950
Tax losses carried forward	153,010	(387)	152,623
<b>Net tax asset</b>	<b>110,096</b>	<b>17,296</b>	<b>127,392</b>

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

8. Intangible assets

	Goodwill	Customer relationships	Brands	Websites, software and licences	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2018	594,295	326,667	172,661	19,089	1,112,712
Disposals/write off in year	-	-	-	(6,323)	(6,323)
<b>At 31 December 2018</b>	<b>594,295</b>	<b>326,667</b>	<b>172,661</b>	<b>12,766</b>	<b>1,106,389</b>
Additions in year	-	-	-	231	231
Disposals/ write off in year	(594,295)	(326,667)	(172,661)	(286)	(1,093,909)
At 31 December 2019	-	-	-	12,711	12,711
<b>Amortisation</b>					
At 1 January 2018	-	(232,000)	(55,417)	(9,518)	(296,935)
Charge for the year	-	(48,000)	(11,083)	(4,355)	(63,438)
Disposals/ write off in year	-	-	-	6,323	6,323
<b>At 31 December 2018</b>	<b>-</b>	<b>(280,000)</b>	<b>(66,500)</b>	<b>(7,550)</b>	<b>(354,050)</b>
Charge for the year	-	(46,667)	(12,742)	(4,254)	(63,663)
Impairment charge	(594,295)	-	(93,419)	-	(687,714)
Disposals/ write off in year	594,295	326,667	172,661	286	1,093,909
At 31 December 2019	-	-	-	(11,518)	(11,518)
<b>Net book value</b>					
At 1 January 2018	594,295	94,667	117,244	9,571	815,777
At 31 December 2018	594,295	46,667	106,161	5,216	752,339
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>1,193</b>

**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 8.2% (2018: 15.2%), and a terminal growth rate of 3% (2018: 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 SEC Newgate UK Group.

The results of the impairment testing indicated that the goodwill amount was wholly impaired, and as such the entire amount of goodwill was written off during the 2019 year. The EBITDA forecasts showed very few

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

clients remaining relating to the cash generating unit, and all staff attached to it had left or been subsumed into other parts of the business.

#### 9. Property, plant and equipment

	Office Equipment
	£
<b>Cost</b>	
At 1 January 2018	30,523
Additions in the year	20,353
Disposals in year	(737)
<b>At 31 December 2018</b>	<b>50,139</b>
Adjustment on transition to IFRS 16	16,806
Additions in year	17,871
Disposals in year	(17,545)
At 31 December 2019	67,271
<b>Depreciation</b>	
At 1 January 2018	(20,218)
Charge in the year	(16,074)
Disposals in year	737
<b>At 31 December 2018</b>	<b>(35,555)</b>
Charge for the year	(17,196)
Disposals in year	17,545
At 31 December 2019	(35,206)
<b>Net book value</b>	
At 1 January 2018	10,305
At 31 December 2018	14,584
<b>At 31 December 2019</b>	<b>32,065</b>

Included in the amounts above is £5,762 of depreciation and £11,044 net book value relating to right-of-use assets.

#### 10. Trade and other receivables

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	31 December 2019 £	31 December 2018 £
Trade receivables	323,272	526,136
Less: provision for impairment	-	(2,932)
Net trade receivables	323,272	523,204
Other receivables	9,936	4,246
Prepayments	3,922	3,448
	<b>337,130</b>	<b>530,898</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.

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 £120 (2018: £2,260). 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:

	31 December 2019 £	31 December 2018 £
At 1 January	2,932	34,819
Charge in the year	-	1,220
Amounts written off during the year	(2,932)	(33,107)
Amounts recovered during the year	-	-
<b>At 31 December</b>	<b>-</b>	<b>2,932</b>

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

	31 December 2019 £	31 December 2018 £
Neither due nor impaired	153,988	193,415
Up to 3 months past due but not impaired	96,682	149,929
3 to 6 months	72,602	20
6 to 12 months	-	179,840
	<b>323,272</b>	<b>523,204</b>

21:12 COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
(continued)

11. Trade and other payables

	31 December 2019 £	31 December 2018 £
Trade payables	93,397	77,740
Social security and other taxes	323,537	146,598
Other payables	6,453	6,137
Accrued liabilities	37,879	46,420
	<b>461,266</b>	<b>276,895</b>

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 46 days (2018: 52 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. Lease Liabilities

	31 December 2019 £	31 December 2018 £
<b>Long-term lease liabilities</b>		
IT equipment	5,633	-
	<b>5,633</b>	<b>-</b>
	<b>5,633</b>	<b>-</b>
<b>Short-term lease liabilities</b>		
IT equipment	5,847	-
	<b>5,847</b>	<b>-</b>

The Company has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in IFRS 16. See note 17 for more details.

13. Called up share capital

	31 December 2019		31 December 2018	
	No.	£	No.	£
<i>Allotted, called up and fully paid</i>				
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>

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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.

SEC Newgate S.pA ultimately own 1,500 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 2019 (2018: 74%).

#### 14. 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.

	31 December 2019 £	31 December 2018 £
<b>Cash and cash equivalents</b>	<b>494,506</b>	<b>80,125</b>
	31 December 2019 £	31 December 2018 £
<b>Financial assets – held at amortised cost</b>		
Contract assets	4,000	3,500
Trade receivables	323,272	523,204
Other debtors	9,936	4,246
Related party receivables	142,627	84,701
	<b>479,835</b>	<b>615,651</b>
	31 December 2019 £	31 December 2018 £
<b>Financial liabilities – held at amortised cost</b>		
Trade payables	93,397	77,740
Other payables	6,453	6,137
Accrued liabilities	37,879	46,420
Finance lease liability	11,480	-
Related party payables – non-current	3,885,042	3,962,216
	<b>4,034,251</b>	<b>4,092,513</b>

All of the above financial assets and financial liabilities carrying values approximate their fair values as at 31 December 2019 and 31 December 2018, given their nature and short maturity periods.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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.

#### *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 2019, 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:

	31 December 2019 £	31 December 2018 £
Due in less than 6 months	140,652	130,297
Due in 6 months to 1 year	2,924	-
Due in more than 1 year	3,890,675	3,962,216
	<b>4,034,251</b>	<b>4,092,513</b>

#### *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 2019  
(continued)**

**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 £348,595 (2018: £304,242).

There were no amounts outstanding to any director as at 31 December 2019 or 31 December 2018.

***Other related party transactions***

The Company has entered into various transactions with 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.

<b><i>Other related party transactions</i></b>	<b>Nature of transactions</b>	<b>Value of transactions in period</b>			
		<b>2019</b>		<b>2018</b>	
		<b>Charged by Company £</b>	<b>Charged to Company £</b>	<b>Charged by Company £</b>	<b>Charged to Company £</b>
SEC Newgate UK Limited (formerly Porta Communications Plc)	Management fees	-	81,600	-	81,204
	Recharged costs	23,880	-	18,280	-
	Rent	-	268,380	-	258,720
	Interest	-	59,129	-	58,910
Newgate Communications Limited	Group marketing and advertising services	57,926	-	54,767	4,500
	HR services	-	-	-	8,035
ICAS Limited	Group marketing and advertising services	-	-	9,037	59,476
Redleaf Polhill Limited	Group marketing and advertising services	-	-	1,540	-
		<b>81,806</b>	<b>409,109</b>	<b>83,624</b>	<b>470,845</b>

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:

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
<b><i>Amounts receivable: due in less than one year</i></b>		
Newgate Communications Limited	105,077	47,151
Newgate Media Holdings Limited	37,550	37,550
	<b>142,627</b>	<b>84,701</b>

***Amounts payable: due in more than one year***

SEC Newgate UK Limited (formerly Porta Communications Plc)	<b>(3,885,042)</b>	<b>(3,962,216)</b>
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## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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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 immediate 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

On 3 September 2019, the Company's ultimate parent company, SEC Newgate UK Limited (formerly 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. SEC Newgate S.p.A is also the smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared.

#### 17. Impact of adopting IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

##### *Cumulative effect of initially applying IFRS 16*

The Company has adopted IFRS 16 from 1 January 2019 which resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial statements. The Company has applied the cumulative effect method in accordance with IFRS 16.C5(b) and has elected to apply IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application.

The Company has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the Standard.

For additional information about the Company's current and historical accounting policies relating to leases see note 1.

##### *Impact of adoption*

The following summarises the impact of adopting IFRS 16 on the Statement of Financial Position and the Statement of Comprehensive Income.

##### *(i) Adjustments to assets and liabilities related to adoption of IFRS 16*

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11%.

The Company did not recognise any finance leases in accordance with IAS 17 in the previous accounting period. Therefore, lease liabilities at the date of initial application were recognised for leases previously classified as operating leases in accordance with IAS 17.

## 21:12 COMMUNICATIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

#### *(ii) Explanation of adjustment to profit or loss*

EBITDA, amortisation and depreciation, and finance expense have all increased as a result of the change in accounting policy. Rental costs relating to operating leases under IAS 17 were previously included in operating and administrative expenses. These are no longer expensed under IFRS 16 and the costs are accounted for through the lease liability and associated interest expenses, which have been included in finance costs. Amortisation and depreciation have increased due to the additional right-of-use assets recognised under IFRS 16.

#### *(iii) Practical expedients applied*

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### **18. Subsequent events**

There are no material subsequent events which require disclosure up to the date that the financial statements were approved.

On 11 March 2020, the World Health Organisation declared the outbreak of the coronavirus (COVID-19) a global pandemic. To date, there has been no material change to the Company's business or that of its ultimate parent company, SEC Newgate S.p.A. This is a non-adjusting post balance sheet event. Please refer to the Post year end and future outlook section of the Strategic report for further details.