

27<sup>th</sup> September 2013

## PORTA COMMUNICATIONS PLC

(the "Group" or "Porta")

### Interim figures to the six months ended 30 June 2013

Porta Communications plc, the AIM quoted international marketing and communications business is pleased to announce its interim results for the six months ended 30 June 2013.

#### Financial Highlights

	June 2013 £000	June 2012 £000	Full year 2012 £000
Revenue	8,484	1,690	8,384
Gross profit	4,323	1,610	4,633
Headline EBITDA <sup>1</sup>	144	(147)	(522)
EPS on adjusted headline EBITDA	0.1p	(0.1p)	(0.7p)
Reported loss	(1,520)	(1,153)	(4,917)

#### Operational Highlights

- Increase in revenue by more than 5 times
- Maiden headline EBITDA for the Group
- Significant international expansion in Singapore, Hong Kong and Australia
- Additional bolt-on acquisitions to enhance earnings growth
- Strong client wins across the whole Group
- Record year for Newgate Threadneedle
- Group well positioned for significant growth in profitability

<sup>1</sup> Headline EBITDA excludes start-up losses, acquisitions and restructuring costs, exceptional legal and professional costs and share based payments

Commenting on the results, David Wright, Chief Executive Officer of Porta, said:

"The Group made strong progress in the first six months of the year, with a significant improvement over the comparable period in 2012. Revenue generated in the six months to 30 June 2013 was higher than for the whole of the financial year ended 31 December 2012 and the Board remains confident of the Group's prospects for the second half of the year."

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## Chief Executive Report

The rapid growth of Porta Communications plc ("Porta") has continued in the first half to June 2013. Revenue at £8.48M is over 5 times the level of the comparable period and has already surpassed the full year contribution for 2012 while gross profit is more than 2.5 times higher. More importantly the Group has shown a positive EBITDA before exceptional and existing start-up costs, for the first time since its formation. These one-off costs are not expected to recur in 2014.

Although the Group has grown predominantly through start-up businesses since its inception, it has taken less than two years to develop a well-established international marketing and communications Group operating under strong recognised brands, in particular Newgate Communications. Furthermore with the openings of our new ventures in Australia, Singapore, Hong Kong and more in the pipeline, the Group now has a comprehensive international network with a strong base of business that will deliver continued growth in the future.

Newgate Communications London, the Group's first major start-up has enjoyed a strong first half, with a number of new business wins. This company is now poised to make consistent profits on a month by month basis, with a strong contribution expected in 2014.

Newgate Threadneedle has also performed well and remains the number one ranked adviser to AIM companies in the latest industry rankings. This positioning has been further strengthened through winning a number of IPO mandates which have successfully raised funds and consequently performed well as a listed company. This is a trend that has continued into the second half, to the extent that the company is heading for a record year. In addition, Newgate Threadneedle has been voted Best Financial PR adviser at the UK Stock Market Awards 2013 and continues to grow its client base of retained clients.

The Group needs to build on this success at Newgate Threadneedle so following the recruitment of top quality executives from a global competitor in March and April, we have created a strong diverse financial PR practice that now has a client list covering FTSE 100, 250 and AIM companies and the capacity to grow rapidly.

The start-up and development of Newgate Communications in Australia towards the end of the first half of the financial year was more successful than we anticipated, with approximately 30 people joining the new company. This group is now operating from 4 offices, Sydney, Melbourne, Canberra and Brisbane. The Australian venture has made a positive start and should make a strong contribution to Porta profits in 2014.

Newgate Communications Hong Kong has won several client mandates despite significant competitive pressure. The total number of clients is now 15. We expect the unit to move into profit in 2014.

The Group's Newgate Communications division in Singapore consists of, what the Board believes to be, an extremely high quality management team. Our Singapore team have already won some major mandates and they currently have a number of proposals with prospective clients. The total number of clients is now 9.

On the advertising side TTMV the creative media agency in Tunbridge Wells, formed out of the merger of WFCA and 20-20 Media Vision, has had an excellent first half. Although there has been some recent churn in clients at TTMV, the successful new business drive should ensure a similar performance to the first half in the second six months.

21:12 Communications the financial and charities agency, and it's studio 24-7 Studios started in January and is not expected to break into profits until the fourth quarter but the quality of recent new business suggest a much more balanced performance next year.

The Group is continuing to expand its international reach and there are a number of new ventures in the pipeline with plans to open Newgate offices in Abu Dhabi, Qatar, Beijing and Shanghai. Further down the line the Group is looking to strengthen its Newgate operation in Germany, as well as a possible launch in Paris. A couple of potential acquisitions in both the advertising and public relations areas are currently being reviewed.

With the Group becoming increasingly more established, the second half will see a considerably better performance than in the first six months. Given the expected exit run rate of revenues for the second half it is highly likely that the Group will continue to experience strong growth in 2014.

## Executive Summary

	Six months ended 30 June 2013 £	Six months ended 30 June 2012 £	Year ended 31 December 2012 £
EBITDA from continuing operations	(1,058,309)	(1,093,291)	(4,083,122)
Start-up losses	850,000	615,662	1,539,155
Acquisition costs	15,855	11,000	197,165
Restructuring costs	159,636	-	79,000
Legal and professional consultancy costs	134,274	302,277	1,676,167
Share based payments	42,842	17,497	69,987
<b>Adjusted headline EBITDA</b>	<b>144,298</b>	<b>(146,855)</b>	<b>(521,648)</b>
EPS reported on operating profit for continuing operations	<b>(1.0p)</b>	(1.0p)	(5.3p)
EPS based on adjusted headline EBITDA	<b>0.1p</b>	(0.1p)	(0.7p)

David Wright

Chief Executive

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 (Unaudited)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
		£	£	£
<b>Continuing operations</b>				
Revenue	5	8,484,785	1,690,847	8,384,625
Cost of sales		(4,161,043)	(80,543)	(3,750,768)
<b>Gross Margin</b>		<b>4,323,742</b>	<b>1,610,304</b>	<b>4,633,857</b>
Operating and administrative expenses		(5,657,596)	(2,841,550)	(9,085,841)
<b>Operating loss</b>	4	<b>(1,333,854)</b>	<b>(1,231,246)</b>	<b>(4,451,984)</b>
Finance expense		(247,705)	(22,969)	(177,201)
Finance income		1,034	298	1,653
<b>Loss before taxation on continuing operations</b>		<b>(1,580,525)</b>	<b>(1,253,917)</b>	<b>(4,627,532)</b>
Tax credit	7	67,002	100,313	196,172
<b>Loss for the period on continuing operations</b>		<b>(1,513,523)</b>	<b>(1,153,604)</b>	<b>(4,431,360)</b>
<b>Discontinued operations</b>				
(Loss) / profit for the period from discontinued operations		(7,205)	-	(485,804)
<b>(Loss)/profit for the period</b>		<b>(1,520,728)</b>	<b>(1,153,604)</b>	<b>(4,917,164)</b>
Loss for the period attributable to:				
Owners of the Company		(1,590,964)	(1,090,193)	(5,043,054)
Non-controlling interests		70,236	(63,411)	125,890
		<b>(1,520,728)</b>	<b>(1,153,604)</b>	<b>(4,917,164)</b>
<b>Other comprehensive income</b>				
Exchange differences arising on translating foreign operations		(6,440)	(1,594)	215
Exchange differences arising on sale of subsidiary		-	-	-
Total other comprehensive income, net of tax		<b>(6,440)</b>	<b>(1,594)</b>	<b>215</b>
<b>Total comprehensive income for the period</b>		<b>(1,527,168)</b>	<b>(1,155,198)</b>	<b>(4,916,949)</b>
Total comprehensive income for the period attributable to:				
Owners of the Company		(1,595,714)	(1,091,787)	(5,042,839)
Non-controlling interests		68,546	(63,411)	125,890
		<b>(1,527,168)</b>	<b>(1,155,198)</b>	<b>(4,916,949)</b>
<b>Earnings/(loss) per share - basic and diluted</b>				
	13			
On continuing operations		(1.2p)	(1.4p)	(5.3p)
On discontinued operations		(0.0p)	n/a	(0.7p)
On continuing and discontinued operations		(1.2p)	(1.4p)	(6.0p)

The accompanying notes are an integral part of this condensed consolidated interim financial report.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2013 (Unaudited)

	Notes	30 June 2013 £	30 June 2012 £	31 December 2012 £
<b>Non-current assets</b>				
Intangible assets	12	8,350,716	4,693,591	8,128,294
Fixed assets	8	262,884	100,128	286,760
Other investments		84,620	-	-
Deferred tax asset		547,093	248,821	471,094
<b>Total non-current assets</b>		<b>9,245,313</b>	<b>5,042,540</b>	<b>8,886,148</b>
<b>Current assets</b>				
Assets held for sale		-	-	26,007
Work in progress		403,101	25,302	186,694
Trade and other receivables		5,131,450	891,924	3,222,834
Cash and cash equivalents		634,856	600,845	777,870
<b>Total current assets</b>		<b>6,169,407</b>	<b>1,518,071</b>	<b>4,213,405</b>
<b>Current liabilities</b>				
Liabilities held for sale		-	-	(30,070)
Bank overdrafts		(47,365)	-	-
Trade and other payables		(5,943,981)	(908,400)	(5,693,765)
Current tax liabilities		(49,144)	(167,237)	-
Loans and borrowings	11	(450,000)	(478,701)	(3,404,707)
<b>Total current liabilities</b>		<b>(6,490,490)</b>	<b>(1,554,338)</b>	<b>(9,128,542)</b>
<b>Net current (liabilities) / assets</b>		<b>(321,083)</b>	<b>(36,267)</b>	<b>(4,915,137)</b>
<b>Non-current liabilities</b>				
Fair value of contingent consideration		(481,198)	-	(381,198)
Partner capital accounts		-	(24,000)	-
Deferred tax liabilities		(459,549)	(324,420)	(414,164)
Loans and borrowings	11	(2,726,969)	-	(650,000)
<b>Total non-current liabilities</b>		<b>(3,667,716)</b>	<b>(348,420)</b>	<b>(1,445,362)</b>
<b>Net assets</b>		<b>5,256,514</b>	<b>4,657,853</b>	<b>2,525,649</b>
<b>Equity</b>				
Share capital	9	15,391,396	8,433,701	10,891,396
Share premium		2,742,120	2,742,120	2,742,120
Retained losses		(13,032,721)	(7,127,482)	(11,081,486)
Translation reserve		(4,179)	5,692	7,501
Other reserves		(907,133)	(34,852)	(949,975)
<b>Total equity shareholders' funds</b>		<b>4,189,483</b>	<b>4,019,179</b>	<b>1,609,556</b>
Equity non-controlling interests		1,067,031	638,674	916,093
<b>Total equity</b>		<b>5,256,514</b>	<b>4,657,853</b>	<b>2,525,649</b>

The accompanying notes are an integral part of this condensed consolidated interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013 (Unaudited)

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
	£	£	£
<b>Cash flow from operating activities</b>			
Loss before taxation on continuing activities	(1,580,525)	(1,253,917)	(4,627,532)
Current tax expense	-	(18,201)	-
<b>Adjusted for:</b>			
(Loss) / gain from discontinued operations	(7,205)	-	(485,804)
Depreciation and amortisation	275,545	137,955	379,358
Finance income	(1,034)	-	(1,653)
Tax paid	(6,307)	-	(178,975)
Gift of capital to Limited Liability Partnership	-	-	40,000
Capitalised interest	131,145	-	33,607
Loss on disposal of property, plant and equipment	-	-	9,505
Increase in work in progress	(184,013)	(8,725)	(170,117)
(Increase)/decrease in trade and other receivables	(1,803,888)	(130,236)	(359,395)
Increase/(decrease) in trade and other payables	188,920	250,899	1,777,792
Accrued interest – convertible loan	-	7,602	-
Share based payments	42,842	17,497	69,987
Foreign exchange gain/(loss)	(6,440)	1,230	-
Foreign exchange gain previously recognised in other comprehensive income	-	-	-
<b>Net cash outflow from operating activities</b>	<b>(2,950,960)</b>	<b>(995,896)</b>	<b>(3,513,227)</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	(62,316)	(167,434)	(191,904)
Acquisition of property, plant and equipment	(32,792)	(22,032)	(181,972)
Dividends paid to non-controlling interests	-	-	(126,266)
Acquisition of subsidiary, net of cash acquired	(262,979)	-	549,931
Sale of subsidiary company	1	-	-
Interest received	1,034	-	1,653
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(441,672)</b>	<b>(189,466)</b>	<b>51,442</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares (net of issue costs)	3,715,191	311,000	311,000
Proceeds from loans and borrowings	487,062	496,280	2,950,000
Repayment of loans and borrowings	(1,000,000)	-	-
<b>Net cash generated from financing activities</b>	<b>3,202,253</b>	<b>807,280</b>	<b>3,261,000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(190,379)</b>	<b>(378,082)</b>	<b>(200,785)</b>
Cash and cash equivalents at 1 January	777,870	979,070	979,070
Effect of exchange rate changes	-	(143)	(415)
<b>Cash and cash equivalents at 30 June</b>	<b>587,491</b>	<b>600,845</b>	<b>777,870</b>

The accompanying notes are an integral part of this condensed consolidated interim financial report.

# Condensed Consolidated Statement of Changes in Equity

## Statement of changes in equity for the six months ended 30 June 2013:

	Share capital	Share premium	Retained losses	Translation reserve	Other Reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2013	10,891,396	2,742,120	(11,081,486)	7,501	(949,975)	1,609,556	916,093	2,525,649
<b><i>Total comprehensive income</i></b>								
Loss for the period	-	-	(1,590,964)	-	-	(1,590,964)	70,236	(1,520,728)
Other comprehensive income	-	-	-	(4,750)	-	(4,750)	(1,690)	(6,440)
Total comprehensive income			(1,590,964)	(4,750)	-	(1,595,685)	68,546	(1,527,139)
<b><i>Transactions with owners of the Company, recognised directly in equity</i></b>								
Contributions by owners:								
Issue of ordinary shares	4,500,000	-	-	-	-	(4,500,000)	-	(4,500,000)
Issue costs	-	-	(284,809)	-	-	(284,809)	-	(284,809)
Share based payments	-	-	-	-	42,842	42,842	-	42,842
Changes in ownership interests of subsidiaries:								
Disposal of subsidiary with non-controlling interest	-	-	(75,762)	(6,930)	-	(82,392)	82,392	-
Total transactions recognised directly in equity	4,500,000	-	(360,271)	(6,930)	42,842	4,175,641	82,392	4,258,033
<b>Balance at 30 June 2013</b>	<b>15,391,396</b>	<b>2,742,120</b>	<b>(13,032,692)</b>	<b>(4,179)</b>	<b>(907,133)</b>	<b>4,189,512</b>	<b>1,067,031</b>	<b>5,256,543</b>

The accompanying notes are an integral part of this condensed consolidated interim financial report.

## Statement of changes in equity for the six months ended 30 June 2012:

	Share capital	Share premium	Retained losses	Translation reserve	Other Reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2012</b>	<b>7,723,701</b>	<b>2,742,120</b>	<b>(5,999,432)</b>	<b>7,286</b>	<b>1,143</b>	<b>4,474,818</b>	<b>702,085</b>	<b>5,176,903</b>
<i>Total comprehensive income</i>								
Loss for the period	-	-	(1,090,193)	-	-	(1,090,193)	(63,411)	(1,153,604)
Other comprehensive income	-	-	-	(1,594)	-	(1,594)	-	(1,594)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,090,193)</b>	<b>(1,594)</b>	<b>-</b>	<b>(1,091,787)</b>	<b>(63,411)</b>	<b>(1,155,198)</b>
<i>Transactions with owners of the Company, recognised directly in equity</i>								
Contributions by owners:								
Issue of ordinary shares	710,000	-	-	-	-	710,000	-	710,000
Issue costs	-	-	(39,000)	-	-	(39,000)	-	(39,000)
Fair value adjustment for shares issued as a consideration in accordance with IFRS 3	-	-	-	-	(81,250)	(81,250)	-	(81,250)
Share based payments	-	-	-	-	17,497	17,497	-	17,497
Equity component of convertible loan issued in	-	-	-	-	28,901	28,901	-	28,901
<b>Total transactions recognised directly in equity</b>	<b>710,000</b>	<b>-</b>	<b>(39,000)</b>	<b>-</b>	<b>(34,852)</b>	<b>636,148</b>	<b>-</b>	<b>636,148</b>
<b>Balance at 30 June 2012</b>	<b>8,433,701</b>	<b>2,742,120</b>	<b>(7,128,625)</b>	<b>5,692</b>	<b>(33,709)</b>	<b>4,019,179</b>	<b>638,674</b>	<b>4,657,853</b>

## Statement of changes in equity for the year ended 31 December 2012:

	Share capital	Share premium	Retained losses	Translation reserve	Other Reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
	£	£	£	£	£	£	£	£
<b>Balance at 30 June 2012</b>	<b>8,433,701</b>	<b>2,742,120</b>	<b>(7,128,625)</b>	<b>5,692</b>	<b>(33,709)</b>	<b>4,019,179</b>	<b>638,674</b>	<b>4,657,853</b>
<i>Total comprehensive income</i>								
Loss for the period	-	-	(3,952,861)	-	-	(1,090,193)	189,301	(3,763,560)
Other comprehensive income	-	-	-	1,809	-	1,809	-	1,809
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3,952,861)</b>	<b>1,809</b>	<b>-</b>	<b>(3,951,052)</b>	<b>189,301</b>	<b>(3,761,751)</b>

	Share capital	Share premium	Retained losses	Translation reserve	Other Reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
	£	£	£	£	£	£	£	£

*Transactions with owners of the Company, recognised directly in equity*



Contributions by owners:								
Issue of ordinary shares relating to business combinations	2,072,695	-	-	-	-	2,072,695	-	<b>2,072,695</b>
Fair value adjustment for shares issued as a consideration in accordance with IFRS	-	-	-	-	(830,456)	(830,456)	-	<b>(830,456)</b>
Issue of other ordinary shares	385,000	-	-	-	-	385,000	-	<b>385,000</b>
Dividends paid to non-controlling interests	-	-	-	-	-	-	(126,266)	<b>(126,266)</b>
Issue costs	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	52,491	52,491	-	<b>52,491</b>
Equity component of convertible loan issued in the period	-	-	-	-	(1)	(1)	-	<b>(1)</b>
Changes in ownership interest of subsidiaries:								
Acquisition of subsidiary with non-controlling	-	-	-	-	-	-	76,133	<b>76,133</b>
Disposal of subsidiary with non-controlling interest	-	-	-	-	-	-	(49)	<b>(49)</b>
Change in ownership of subsidiary whilst retaining control	-	-	-	-	(138,300)	(138,300)	138,300	-
<b>Total transactions directly recognised in equity</b>	<b>2,457,695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(916,266)</b>	<b>1,541,429</b>	<b>88,118</b>	<b>1,629,547</b>
<b>Balance at 31 December 2012</b>	<b>10,891,396</b>	<b>2,742,120</b>	<b>(11,081,486)</b>	<b>7,501</b>	<b>(949,975)</b>	<b>1,609,556</b>	<b>916,093</b>	<b>2,525,649</b>

The accompanying notes are an integral part of this condensed consolidated interim financial report.

# Notes to the Condensed Consolidated Interim Financial Report

For the six months to 30 June 2013 (Unaudited)

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## 1. Corporate information

The interim condensed consolidated financial statements of Porta Communications Plc and its subsidiaries (collectively, the Group) for the six months period ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 27 September 2013.

Porta Communications Plc ('the Company') is a public company domiciled in the United Kingdom whose shares are publicly traded on Alternative Investment Market of the London Stock Exchange. The Group is primarily involved in providing communication, advertising and marketing services.

## 2. Basis of preparation

### *(a) Statement of compliance*

The condensed consolidated interim financial report for the six months period ended on 30 June 2013 has been prepared in accordance IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. This condensed consolidated interim financial report does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information presented herein does not constitute full statutory accounts under section 434 of the Companies Act 2006. This condensed consolidated financial report is unaudited. The financial information in respect of the year ended 31 December 2012 has been extracted from the consolidated statutory accounts of the Company for that period have been delivered to the Register of Companies. The Group's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

### *(b) Judgements and estimates*

Preparing the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

### *(c) Headline measures*

The Group believes that reporting non-GAAP or headline adjusted measures provide a useful comparison of business performance and reflects the way the business is controlled. Accordingly headline measures of operating profit (EBITDA) and earnings per share exclude, where applicable, restructuring costs, start-up losses, amortisation of intangible assets, impairment charges, acquisition accounting adjustments, share option charges, and other exceptional costs. Non-headline gains or losses are items that, in option of directors, are required to be disclosed separately, by virtue of their size or incidence, to enable a full understanding of the Group's financial performance.

A reconciliation between statutory and headline operating profit is presented in Note 4. In addition to this a reconciliation between statutory and headline earnings per share is presented in Note 13. Headline measures in this report are not defined terms under IFRS and may not be compared with similarly titled measures reported by other companies.

## 3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

There are no new IFRSs or IFRICs that are effective for the first time for the interim period that would be expected to have a material impact on the Group.

## 4. Reconciliation of operating EBITDA to headline adjusted EBITDA

Six months ended 30 June 2013	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
	£	£	£
EBITDA from continuous operations	(1,058,279)	(1,093,291)	(4,083,122)
Start-up losses*	850,000	615,662	1,539,155
Acquisition costs	15,855	11,000	197,165
Restructuring costs	159,636	-	79,000
Share-based payments	42,842	17,497	69,987
Legal and professional consultancy costs	134,274	302,277	1,676,167
<b>Adjusted headline EBIDTA</b>	<b>144,328</b>	<b>(146,855)</b>	<b>(521,648)</b>

EPS reported on operating profit from continuous operations	(1.0p)	(1.0p)	(5.3p)
EPS based on adjusted headline EBITDA	0.1p	(0.1p)	(0.7p)

\* For the purpose of the above analysis, start-up losses are defined as the net operating result in the period of entities which are originally started businesses. Such businesses so defined will cease being separately defined at the earlier of two years from the commencement of the activity or when the activities show evidence of becoming sustainably profitable.

## 5. Segmental reporting

### Business segments

The Board considers that the Group has a single business segment which delivers international communications, advertising and marketing 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. All revenue in the period arose from sales within Europe.

### Geographical segments

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

Six months ended 30 June 2013	UK	Rest of Europe	Less inter-company trading	Total
	£	£	£	£
Revenue	8,221,226	263,559	-	<b>8,484,785</b>
Profit / (loss) on continuing operations before tax	(1,588,984)	8,489	-	<b>(1,580,495)</b>
Loss on continuing operations before tax	-	(7,205)	-	<b>(7,205)</b>

Sales to customers based in the UK amounted to 97% of Group revenues. No other individual country accounted for more than 10% of Group revenues

### Six months ended 30 June 2012

	UK	Rest of Europe	Less inter-company trading	Total
	£	£	£	£
Revenue	1,679,963	104,079	(93,195)	<b>1,690,847</b>
Loss on continuing operations before tax	(1,143,362)	(110,555)	-	<b>(1,253,917)</b>

Sales to customers based in the UK amounted to 75% of Group revenues. No other individual country accounted for more than 10% of Group revenues

<b>Six months ended 30 June 2011</b>	UK	Rest of Europe	Less intercompany balances	Total
	£	£	£	£
Revenue	-	69,918	-	69,918
Loss on continuing operations before tax	(403,971)	(32,284)	-	(436,255)
Profit on discontinued operations before tax	979,552	-	-	979,552

In the six months ended 30 June 2011, 100% of Group sales were made to customers based in Turkey.

<b>Six months ended 30 June 2013</b>	UK	Rest of Europe	Less inter-company balances	Total
	£	£	£	£
Non-current assets	9,284,158	26,410	(65,257)	<b>9,254,310</b>
Current assets	6,022,556	146,870	-	<b>6,169,426</b>
Current liabilities	(6,369,977)	(120,502)	-	<b>(6,490,479)</b>
Long term liabilities	(3,667,714)	(65,257)	65,257	<b>(3,667,714)</b>
	<b>5,269,023</b>	<b>(12,480)</b>	-	<b>5,256,543</b>

<b>Six months ended 30 June 2012</b>	UK	Rest of Europe	Less intercompany balances	Total
	£	£	£	£
Non-current assets	5,031,663	10,887	-	5,042,540
Current assets	1,458,927	65,144	(6,000)	1,518,071
Current liabilities	(1,510,719)	(49,619)	6,000	(1,554,338)
Non-current liabilities	(348,420)	-	-	(348,420)
	<b>4,631,451</b>	<b>26,402</b>	-	<b>4,657,853</b>

<b>Six months ended 30 June 2011</b>	UK	Rest of Europe	Less inter-company balances	Total
	£	£	£	£
Non-current assets	818	-	-	818
Current assets	2,190,521	43,495	(67,496)	2,166,520
Current liabilities	(179,307)	(73,278)	67,496	(185,089)
Long term liabilities	-	-	-	-
	<b>2,012,032</b>	<b>(29,783)</b>	-	<b>1,982,249</b>

## 6. Acquisition of subsidiaries and associates

### *Acquisition of Cauldron Consulting Limited*

On 1 March 2013, the Group acquired certain assets, including key staff and contracts, of Cauldron Consulting Limited in a loan note and contingent consideration deal. The consideration was satisfied by the initial payment of £200,000 in the loan notes and £100,000 of contingent consideration subject to future performance conditions.

The transferred Cauldron staff and client base has been incorporated within the marketing and advertising segment of the business.

The Cauldron client base contributed £76,000 to revenue during the six months to 30 June 2013.

### *Consideration transferred*

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	£
Loan notes	200,000
Contingent consideration	100,000
<b>Total consideration</b>	<b>300,000</b>

### *Contingent consideration*

The Group has agreed to pay the seller an additional amount of up to £550,000 cash, dependent on the revenue derived from the existing customers of the business and any new customers of the business introduced by the seller in respect of the period commencing from the date of acquisition and ending on 1 March 2014. The amount of contingent consideration is reduced on a pound for pound basis to the extent that the relevant revenue is less than £200,000. Management has assessed that contingent consideration payable should not exceed £100,000. Management applied discounting rate of 15.1% in assessing future cash flow predictions.

### *Identifiable assets acquired and liabilities assumed*

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition date.

	Book value of acquisition £	Fair Value Adjustments £	Fair Value £
Customer relationships	-	185,000	185,000
Fixed assets	1,947	-	1,947
Trade and other receivables	18,930	-	18,930
Cash and cash equivalents	87,021	-	87,021
<b>Total assets</b>	<b>107,898</b>	<b>185,000</b>	<b>292,898</b>
Trade and other payables	(48,576)	-	(48,576)
Deferred tax liability	-	(42,550)	(42,550)
<b>Total liabilities</b>	<b>(48,576)</b>	<b>(42,550)</b>	<b>(91,126)</b>
<b>Net assets acquired</b>	<b>59,322</b>	<b>240,678</b>	<b>201,772</b>
Less: attributable to NCI	-	-	-
<b>Net value attributable to parent</b>	<b>59,322</b>	<b>240,678</b>	<b>201,772</b>

The fair value of identifiable assets has been determined provisionally and may be subject to adjustment during the following six month period.

## **Goodwill**

Goodwill arising from the transaction has been recognised as follows:

	£
Total consideration transferred	300,000
Fair value of net identifiable assets	(201,772)
<b>Goodwill</b>	<b>92,228</b>

The goodwill is attributable mainly to the skills and knowledge of the staff acquired and the synergies expected to be achieved incorporating the customer list and staff members into the existing business.

## **Acquisition of Summit Marketing Services Limited**

On 1 June 2013, the Group through its wholly owned subsidiary Newgate Media Holding Limited, acquired 100% share capital and certain assets, including key staff and contracts, of Summit Marketing Services Limited, a marketing and advertising agency domiciled in the UK. The initial consideration was satisfied by the payment of £150,000 in cash and up to £350,000 of contingent consideration subject to future performance conditions.

At the time of interim reporting and up to the date this report has been approved, Summit acquisition accounting has not yet been finalised.

The provisional fair value of net assets at the acquisition date is as follows:

	Fair Value £
Fixed assets	7,979
Deferred tax assets	245
Trade and other receivables	118,192
Trade and other payables	(44,787)
Current tax liabilities	(17,467)
<b>Net assets</b>	<b>64,162</b>
Goodwill arising on acquisition	85,838
	<b>150,000</b>

The fair value of consideration paid is as follows:

	Fair Value, £
Cash consideration paid	150,000
Contingent consideration	350,000
<b>Total consideration payable</b>	<b>500,000</b>

As part of the consideration for the acquisition of Summit Marketing Services Limited (further 'Summit') the contingent consideration is payable. The amount to be paid is dependent on the profits earned by Summit in the year to 31 December 2014.

The fair value of this consideration at the acquisition date and at the period ended on 30 June 2013 was £150,000. The maximum amount of deferred contingent consideration payable is £350,000. Any changes to the fair value of deferred contingent consideration in the future will be recognised in the income statement.

## 7. Income tax expense

Income tax credit is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2013 was 8% (six months ended 30 June 2012: 8%, year ended 31 December 2011: 8%). This effective tax rate is consistent with the effective tax rate for the year ended 31 December 2012. The net tax credit for the period consists of current tax expense of £79,030 and a deferred tax credit of £146,031.

## 8. Property, plant and equipment

### *Acquisitions and disposals*

During the six months ended 30 June 2013, the Group acquired assets with a cost of £32,792 (six months to 30 June 2012: £22,032).

No assets were disposed of during the six months ended 30 June 2012.

## 9. Capital and Reserves

### *Issues of ordinary shares*

On 28 February 2013, the Company announced that it had conditionally raised £4.0m (before expenses) by way of a placing of 40,000,000 new ordinary shares at a price of 10 pence per ordinary share of 10 pence each with certain institutional and other investors. The purpose of the Placing was to raise funds to be used by the Company to implement the next phase of its acquisition strategy and to fund the working capital requirements of the Group by strengthening the statement of financial position and thereby improving the ability of the Group to develop its income stream. The Placing was conditional upon the Company obtaining approval from shareholders to disapply pre-emption rights and to grant the Directors authority to allot the Placing Shares. Approval was obtained at a General Meeting held on 18 March 2013 where all resolutions were duly passed and subsequently the 40,000,000 new shares have been allotted.

Subsequent to the General Meeting held on 18 March 2013, the Company has allotted 5,000,000 further ordinary shares of 10 pence following the conversion of the convertible loan of £500,000 by Hawk Investment Holdings Limited at a price of 10 pence per share.

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

	Number	£ nominal value
At 1 January 2013	102,433,961	<b>10,243,396</b>
New issues during the year	45,000,000	<b>4,500,000</b>
<b>At 30 June 2013</b>	<b>147,433,961</b>	<b>14,743,396</b>

### *Deferred Shares*

There has been no change in the number of, or rights relating to, the Deferred shares during the six months to 30 June 2013.

### *Allotted, called up and fully paid*

#### **30 June 2013**

	Number	£
Ordinary shares of 10p each	147,433,961	<b>14,743,396</b>
Deferred shares of 0.9p each	72,000,000	<b>648,000</b>
		<b>15,391,396</b>

### 31 December 2012

	Number	£
Ordinary shares of 10p each	102,433,961	<b>10,243,396</b>
Deferred shares of 0.9p each	72,000,000	<b>648,000</b>
		<b>10,891,396</b>

### 30 June 2012

Allotted, called up, issued and fully paid	Number	£
Ordinary shares of 10p each	77,857,008	<b>7,785,701</b>
Deferred shares of 0.9p each	72,000,000	<b>648,000</b>
		<b>8,433,701</b>

## 10. Share-based payments

At 30 June 2013, the Group has the following share-based payment arrangements:

### ***Enterprise Management Incentive option scheme (equity-settled)***

On 18 May 2012, the Company granted options over an aggregate of 3,950,000 ordinary shares to certain employees and consultants of the Group, all with an exercise price of 10p per share. This grant included options over 1,200,000 ordinary shares to each of David Wright, Chief Executive of the Company, and Keith Springall, former Finance Director of the Company (the 'Directors').

The options will vest in three equal tranches on the first, second, and third anniversary of the grant of the options, and will expire on the tenth anniversary of the grant. In addition, the options granted to the Directors may not be exercised if the mid-market share price of the Company is equal to or less than 20p.

The fair value of services received in return for the share options granted is based on the fair value of share options granted, measured using the Black-Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans.

	Employees	Directors
Fair value at grant date	<b>4.96p</b>	<b>4.22p</b>
Share price at grant date	<b>8.00p</b>	<b>8.00p</b>
Exercise price	<b>10.00p</b>	<b>10.00p</b>
Expected volatility	<b>76%</b>	<b>76%</b>
Option life (expected weighted average life)	<b>6 years</b>	<b>6 years</b>
Expected dividends	<b>0%</b>	<b>0%</b>
Risk-free interest rate	<b>1.1%</b>	<b>1.1%</b>

### ***Warrants***

There have been no movement in the number or conditions of warrants outstanding between 31 December 2012 and 30 June 2013.



### ***New share option issued during the six months period ended on 30 June 2013***

On 26 June 2013 the Company granted David Wright, the option holder and Chief Executive Officer of the Group, an Option to acquire 2,948,679 Shares at an exercise price of £0.20 per Share. The Option is granted as an Enterprise Management Investment Option (further "EMI") in accordance with the provisions of the EMI Code. The Option shall not be exercisable before the Date of Grant or if the earnings per share targets specified in the EMI agreement have not been satisfied. Subject to the EMI agreement, the share options will vest as follows:

- 1) 50% of the Shares under Option on the first anniversary of the Date of Grant, provided the Company's adjusted earnings per share for the financial year ended 31 December 2013 equals or exceeds £0.006; and
- 2) 50% of the Shares under Option on the second anniversary of the Date of Grant, provided the Company's adjusted earnings per share for the financial year ended 31 December 2014 equals or exceeds £0.023,

There has been no charge in the profit and loss accounts as of 30 June 2013 with regard to this newly issued share option plan.

## **11. Loans and Borrowings**

Subsequent to the General Meeting held on 18 March 2013, the Company allotted 5,000,000 ordinary shares of 10 pence following the conversion of the convertible loan of £500,000 by Hawk Investment Holdings Limited at a price of 10 pence per share.

On 8 March 2013 the Company announced that it had restructured the loans of £1,250,000 and £750,000 made by Hawk Investment Holdings Limited ("Hawk"), a company beneficially owned by Bob Morton (Non-Executive Chairman) and his wife, to the Company, details of which are included below, by entering into a discounted bond for the sum of £2,000,000 with Hawk (the "Bond"). The Bond has a redemption date of 26 February 2016. The amount to be redeemed on this date will be £2,862,000, which is equivalent to the current financing rates of the £1,250,000 and £750,000 loans. At its request, the Company will be able to redeem the Bond early at a discount calculated on the date of redemption. As well as having the opportunity to repay the Bond at a discount, the Bond will help reduce the Company's monthly interest payments, as the redemption premium is only payable on the date of redemption.

In addition, it has been agreed with Hawk that the two loan agreements entered into by Hawk and WFCA Limited ("WFCA"), a subsidiary of Porta, under which WFCA borrowed £450,000 in aggregate be refinanced as one new loan of £450,000, which is to be repaid on or before 5 March 2014. The interest rate on the new loan is the same as the rate of interest charged on the two individual loans.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 June 2013	30 June 2012	31 December 2012
		£	£
<b><i>Non-current liabilities</i></b>			
Loans – Related Parties	2,076,969	-	-
Secured Bank Loan	650,000	-	650,000
	<b>2,726,969</b>	-	<b>650,000</b>
<b><i>Current liabilities</i></b>			
Loans – Related Party	-	-	2,911,817
Loans – Related Party	450,000	478,701	492,890
	<b>450,000</b>	<b>478,701</b>	<b>3,404,707</b>

The related party loans are secured over all current and future assets of all companies within the Group. The secured bank loan is secured over all assets trade debtors and other assets of WFCA Limited and its two subsidiaries.

### Terms and debt repayment schedule

	Nominal Interest Rate	Year of maturity	June 2013		30 June 2012		31 December 2012	
			Face Value	Carrying Amount	Face Value	Carrying Amount	Face Value	Carrying Amount
Convertible Loan – Related Party	12%	2013	-	-	500,000	478,701	500,000	492,890
Loan – Related Party	12%	2013	-	-	-	-	1,250,000	1,233,944
Loan – Related Party	12%	2013	-	-	-	-	500,000	492,128
Loan – Related Party	12%	2013	-	-	-	-	750,000	735,745
Discounted bond – Related Party	12%	2016	2,862,000	2,076,969	-	-	-	-
Loan – Related Party	12%	2014	450,000	450,000	-	-	300,000	300,000
Loan – Related Party	12%	2014	-	-	-	-	150,000	150,000
Secured Bank Loan*	Base + 2.75%	2014	650,000	650,000	-	-	650,000	650,000
			<b>3,962,000</b>	<b>3,176,969</b>	<b>500,000</b>	<b>478,701</b>	<b>4,100,000</b>	<b>4,054,707</b>

## 12. Intangible assets and goodwill

	Goodwill	Customer relationships	Brands	Websites, software and licences	Total
<b>Cost</b>	£	£	£	£	£
At 1 January 2012	3,349,880	650,000	367,000	19,581	<b>4,386,461</b>
Additions in period – acquired with subsidiary	215,550	250,000	-	-	<b>465,550</b>
Other additions in the period	-	-	-	-	-
At 30 June 2012	3,565,430	900,000	367,000	38,921	<b>4,871,351</b>
Acquisition in period – acquired with subsidiary	2,509,052	290,000	345,000	-	<b>3,144,052</b>
Other additions in the period	-	-	-	-	-
<b>At 31 December 2012</b>	<b>6,274,969</b>	<b>1,440,000</b>	<b>712,000</b>	<b>63,391</b>	<b>8,490,360</b>
Acquisition in period – acquired with subsidiary	184,066	150,000	35,000	-	369,066
Other additions in the period	-	-	-	62,316	62,316
<b>At 30 June 2013</b>	<b>6,459,035</b>	<b>1,590,000</b>	<b>747,000</b>	<b>125,707</b>	<b>8,921,742</b>

<b>Amortisation</b>	£	£	£	£	£
At 1 January 2012	-	43,333	12,233	1,806	<b>57,372</b>
Charge for the period	-	96,248	18,348	5,792	<b>120,388</b>
At 30 June 2012	-	139,581	30,581	7,598	<b>177,760</b>
Charge for the period	-	137,081	35,602	11,623	<b>184,306</b>
<b>At 31 December 2012</b>	-	<b>276,662</b>	<b>66,183</b>	<b>19,221</b>	<b>362,066</b>
Charge for the period	-	145,298	35,600	28,062	208,960
<b>At 31 December 2012</b>	-	<b>421,960</b>	<b>101,783</b>	<b>47,283</b>	<b>571,026</b>

<b>Net book value</b>	£	£	£	£	£
At 1 January 2012	3,349,880	606,667	354,767	17,775	<b>4,329,089</b>
At 30 June 2012	3,565,430	760,419	336,419	31,323	<b>4,693,591</b>
At 31 December 2012	6,274,969	1,163,338	645,817	44,170	<b>8,128,294</b>
<b>At 30 June 2013</b>	<b>6,459,035</b>	<b>1,168,040</b>	<b>645,217</b>	<b>78,424</b>	<b>8,350,716</b>

As described in note 5, during the six month period ended 30 June 2013 the Group acquired certain assets, including key staff and contracts, of Cauldron Consulting Limited and Summit Marketing Services Limited. The fair values of identifiable assets and liabilities have been determined provisionally and may be subject to adjustment during the following 12 month period.

No cash generating units ('CGUs') were tested for impairment because there were no impairment indicators at 30 June 2013 for CGUs to which goodwill has been allocated.

### 13. Earnings/(loss) per share

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

	Six months ended 30 June 2013 Number	Six months ended 30 June 2012 Number	Year ended 31 December 2012 Number
Weighted average number of shares (ordinary and dilutive)	<b>128,433,961</b>	75,591,538	83,723,938
	£	£	£
Loss on continuing activities after tax	<b>(1,583,730)</b>	(1,090,193)	(4,489,807)
Profit on discontinued activities after tax	-	-	(553,246)
(Loss)/profit on continuing and discontinued activities after tax	<b>(1,090,193)</b>	(1,090,193)	(5,043,053)

The number of shares used in the 30 June 2011 calculation has been restated for the 1 for 100 share consolidation which occurred on 7 November 2011.

No share options or warrants outstanding at 30 June 2013, 30 June 2012, or 31 December 2012 were dilutive and all such potential ordinary shares are therefore excluded from the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share. Details of share options and warrants outstanding are given in note 10.

## 14. Group Composition

During the six month period to 30 June 2013, the Group formed the following entities which had commenced trading by 30 June 2013:

<i>Name</i>	<i>Interest</i>	<i>Country of Incorporation</i>
Summit Marketing Services Limited	100% owned – Ordinary share capital	England and Wales
Cauldron Consulting Limited	100% owned – Ordinary share capital	England and Wales

## 15. Related party transactions

### ***Key management personnel***

During the six months to 30 June 2013, the Company has granted share-based payment awards to executive director, David Wright (Chief Executive), the details of which are disclosed in note 10.

The nature and amounts of other related party transactions are consistent with those reported in the Group's consolidated statutory accounts for the year ended 31 December 2012.

The loans made by Hawk described in paragraph 11 above were also related party transactions.

## 16. Subsequent events

On 9 September 2013, the Group obtained £1,200,000 of loan facility to assist the Group with its acquisition plans and for general working capital purposes. The facility is repayable on or before 9 September 2014 with an interest payment of 12%.

## 17. Publication

A copy of this report is available from the Company's website at [www.portacommunications.plc.uk](http://www.portacommunications.plc.uk) and available in hard copy on application to the Company's offices.