Porta Communications PLC
Report and Accounts

For the year ended 31 December 2013

Contents

Company Information

Directors:	Bob Morton David Wright Gene Golembiewski Brian Blasdale Raymond McKeeve
Secretary:	Gene Golembiewski
Registered Office:	Sky Light City Tower 50 Basinghall Street London EC2V 5DE
Registered Number:	05353387 (Registered in England & Wales)
Auditors:	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
Registrars:	SLC Registrars Limited Thames House Portsmouth Road Esher Surrey KT10 9AD
Nominated Adviser and Broker:	N+1 Singer 1 Bartholomew Lane London EC2N 2AX
Solicitors:	Osborne Clark One London Wall London EC2Y 5EB
Bankers:	Clydesdale Bank plc 35 Regent Street, London SW1Y 4ND
Company website:	www.portacommunications.plc.uk

Company Information *(continued)*

Audit exemptions:

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

21:12 Direct LLP
Cauldron Consulting Limited
Newgate Comms LLP
Newgate PR Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Newgate Media Holdings Limited
Project 13 Communications Limited
Twenty20 Media Group Limited
TwentyFour Seven Studios LLP
TwentyOne Twelve Communications LLP
Summit Marketing Services Limited
WFCA Integrated Limited
Williams Blake Reay Limited

Preparation & filing exemptions:

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

Crazy Horse Integrated Limited
Velvet Consultancy Limited
21 Twelve Marketing Limited (dissolved in 2014)
BComp 416 Limited (dissolved in 2014)
Impact 34 Limited (dissolved in 2014)
Investor Communications International Services Limited (dissolved in 2014)
Newgate Digital Limited (dissolved in 2014)
Newgate Investor Relations LLP (dissolved in 2014)
Project Thirteen Communications LLP (dissolved in 2014)

Statutory guarantees:

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

21:12 Direct LLP
Cauldron Consulting Limited
Newgate Comms LLP
Newgate Media Holdings Limited
Newgate PR Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Project 13 Communications Limited
Summit Marketing Services Limited
Twenty20 Media Group Limited
TwentyFour Seven Studios LLP
TwentyOne Twelve Communications LLP
WFCA Integrated Limited
Williams Blake Reay Limited

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Newgate Investor Relations LLP (dissolved in 2014)
Project Thirteen Communications LLP (dissolved in 2014)

Chairman and Chief Executive's Statement

For the year ended 31 December 2013

"It has been a year of significant growth for the Group. We have expanded our market presence in the Asia Pacific and Middle East regions as well as strengthening our existing businesses in the UK and Europe. With a number of new quality professionals welcomed during the year we are confident that the team we now have in place has the skills, experience, creativity and drive to deliver our ambitions."

The Group has made outstanding progress in the year under review. Revenues of £24.4 million is almost three times higher than in the previous year while gross profit of £11.2 million is approximately 2.5 times that reported by the Group in 2012. More importantly, the Group achieved positive earnings before interest, taxation, depreciation and amortisation ('EBITDA') of approximately £0.65 million in the final quarter of the financial year after all exceptional costs including start-ups.

It was always the intention to form a profitable marketing and communications group that offered a fully integrated service on an international basis, built predominantly by start-up operations and the Board now feels that this initial strategy has been successfully completed and it is now looking to strengthen and build critical mass where needed by way of acquisitions. While there will still be some start-up costs as those planned for in Qatar and mainland China (Beijing and Shanghai), where we will shortly be advertising for suitable executives, the thrust in the current year will be from a more noticeable balance between organic and acquisition growth.

Most parts of the Group showed strong growth throughout the year, with a number of significant new business wins but it was in the final quarter of the financial year, particularly on the public relations side, that the business really gained momentum reflecting a buoyant stock market in new issues. This trend has continued into the current year.

The Board does not believe that the size of the reported loss indicates the efforts and progress made over the year. In this respect, to give an operational view of the progress made and the prospects for the current year, a number of one-off costs have been identified by the Board as follows:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
EBITDA from continuing operations	**(1,894,670)**	(4,083,122)
Start-up losses*	**2,160,125**	1,539,155
Acquisition costs	**64,069**	197,165
Restructuring costs	**337,441**	79,000
Legal and professional consultancy costs	**485,859**	1,676,167
Share option expense	**99,678**	69,998
Bad debt expense	**124,707**	–
Adjusted headline EBITDA	**1,377,209**	(521,637)
EPS based on continuing operations	**(2.0p)**	(5.3p)
EPS based on adjusted headline EBITDA	**1.0p**	(0.6p)

* For the purposes of the above analysis, start-up losses are defined as the net operating result in the period of entities which are organically 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.

Chairman and Chief Executive's Statement *(continued)*

For the year ended 31 December 2013

Communications

Newgate Communications, the global public relations brand, had an exceptional year of growth, with the start-ups in Australia, Hong Kong and Singapore making a significant impact to the fast-expanding global brand. In London the success in winning a number of IPO mandates both at the end of 2013 and well into 2014 has meant that the merger of Newgate Threadneedle with the other financial teams has been a great success.

Since the year end Porta has acquired a 51 per cent stake in Redleaf Polhill Limited ('Redleaf') for £1.795 million, with an option to acquire the minority holding over the next three years on similar terms to the initial consideration. Redleaf will remain as an independent brand within the Porta Group. More pleasing is that the integration of our international public relations activities, covering financial, corporate, public affairs and consumer is gaining traction and we are now being asked to pitch for some very large international mandates.

The division also includes Project 13 Communications Limited ('Thirteen'), a start-up business that began operations in the fourth quarter of 2013, offering a broad range of consultancy services in the consumer and corporate public relations sector. The Group increased its holding in Thirteen from 30%, the initial stake the Group received in exchange for start-up capital, to 51% by the payment of £350,000 which was satisfied by the issue of 2,692,300 ordinary shares of 10p each in the Group at a price of 13p per share. The Group's plan for ownership was brought forward due to the success that Thirteen demonstrated in the volume of cross-selling with Newgate.

During the year the number of clients in the public relations division grew from 150 in 2012 to 275 as at 31 December 2013.

Hong Kong

The Newgate Communications (HK) Limited start-up, operating under the Newgate brand and managed by a team recruited from another agency, was operational for much of 2013, although initially some of the key executives were operating under tough restrictive covenants. Despite this, and very tough market conditions they have performed very well winning some attractive new clients in addition to winning a number of their previous clients once their covenants had lapsed. The management of this office will be responsible for our move into China and they will bear the start-up costs in Beijing and Shanghai in the current year.

Singapore

The office in Singapore (Newgate Communications Singapore Pte Limited), also operating under the Newgate brand, did not become operational until June when the new team became free from their restrictive covenants. Since then the team have won a significant amount of all new business opportunities presented to them despite a highly competitive market. All of our major competition see Singapore as their launch pad into the Asia-Pacific region and have recently opened offices. However we feel that our success will be driven by the quality of our local management team.

Australia

The Australian operation (Newgate Communications Pty Limited), for the same reason as in Singapore, did not commence trading until June but since then the growth has been impressive. The start-up costs were larger than we had anticipated, but the performance is ahead of management expectations. With a strong management team and 40 people, operating from offices in Sydney, Melbourne, Canberra and Brisbane the company has gone from strength to strength and is expected to be the largest profits contributor in 2014. They have just won the second phase of the MediBank privatisation where fees of around A$2,400,000 are currently expected. In addition they are now picking up some very large M&A projects.

Marketing and Advertising

This division comprises Twenty20 Media Vision ('TTMV'), the Group's consumer advertising agency, which was acquired in 2012 and then merged with a subsequent acquisition, WFCA, based in Tunbridge Wells. Also included are the two start-up operations, 21:12 the financial services advertising agency, and 24-7 the in-house 24 hour studio. These two businesses were integrated along with the direct marketing start-up Crazy Horse (re-branded 21:12 Direct Marketing).

TTMV had a very good start and finish to the year, despite incurring a bad debt in December and some very quiet trading months in the summer. 21:12 has taken longer than expected to make a positive contribution, but with a number of very big client wins, a substantial improvement is expected in 2014.

Both TTMV and 21:12 require more critical mass to make a meaningful contribution going forward and the Group Board are actively looking for profitable bolt-on acquisitions where there are clear synergies with our existing operations. The process has already started at 21:12 following the March 2014 acquisitions of two operations from WSM Communications Group Limited. These include a print management company and a digital agency, which is already working on six internal projects.

Outlook

In addition to the plans for the marketing and advertising division described above, the Board believes that the Group needs to continue to expand its geographical coverage in Germany, France, India and North America. The Board has already identified potential acquisition targets in each of these areas. Within the UK we are also looking to build upon our successful consumer agency start-up Thirteen.

The first three months have started as buoyantly as the final quarter of 2013 and the Board remains confident of delivering continued strong growth for the remainder of the current year.

Bob Morton & David Wright
Chairman of the Board & Chief Executive Officer

27 May 2014

Strategic Report
Review of the Business
For the year ended 31 December 2013

The principal activity of the Group is that of building and operating an international communications and marketing business.

The Group continued its strategy of combining solid profitable acquisitions with dynamic start-up businesses, staffed by quality professionals with proven track records.

A number of new additions to the Group during the period were by way of new start-ups. Most of these businesses are not expected to be immediately profitable. Unlike the cost of investment for acquisitions, which are capitalised, start-up losses are reflected within the loss from continuing operations. The Directors believe that it is relevant to analyse the results of the Group before start-up losses, acquisition costs, restructuring costs, share-based payments, bad debts, impairment, legal and other professional costs, and depreciation and amortisation in order to enable a full understanding of the Group's financial performance.

Results for year:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Continuing operations			
Revenue	**24,441,290**	8,384,625	783,449
Cost of sales	**(13,249,742)**	(3,750,768)	(30,661)
Total operating and administrative expenses	**(13,681,541)**	(9,085,841)	(1,931,139)
Operating loss	**(2,489,993)**	(4,451,984)	(1,178,351)
EBITDA	**(1,894,670)**	(4,083,122)	(1,111,265)
Loss before taxation on continuing operations	**(3,062,026)**	(4,627,532)	(1,171,901)
Loss after tax:			
Loss on continuing operations	**(2,469,992)**	(4,431,360)	(1,040,801)
(Loss)/Profit on discontinued operations	**(7,205)**	(485,804)	580,544
Loss for the year after tax	**(2,477,197)**	(4,917,164)	(460,257)
EPS on continuing operations	**(2.0p)**	(5.3p)	(2.2p)
Year-end staff numbers	**146**	102	37

	£	£	£
Analysis of total operating and administrative expense			
(continuing operations)			
Acquisition costs	**(64,069)**	(197,165)	(200,907)
Restructuring costs	**(337,441)**	(79,000)	–
Amortisation of acquired intangibles	**(399,613)**	(287,279)	(55,566)
Depreciation and amortization of other assets	**(195,710)**	(81,583)	(11,520)
Bad and doubtful debts	**(124,707)**	–	–
Share based payments	**(99,678)**	(69,998)	–
Legal and other consultancy costs	**(485,859)**	(1,676,167)	(469,614)
Other operating and administrative expense	**(11,974,464)**	(6,694,649)	(1,193,532)
	(13,681,541)	(9,085,841)	(1,931,139)

Strategic Report

Review of the Business *(continued)*

For the year ended 31 December 2013

	Year ended 31 December 2013 £	Year ended 31 December 2012 £	Year ended 31 December 2011 £
EBITDA from continuing operations	**(1,894,670)**	(4,083,122)	(1,111,265)
Start-up losses*	**2,160,125**	1,539,155	185,228
Acquisition costs	**64,069**	197,165	469,614
Restructuring costs	**337,441**	79,000	–
Share based payment	**99,678**	69,998	–
Bad debt	**124,707**	–	–
Legal and other professional costs	**485,859**	1,676,167	469,614
Adjusted headline EBITDA	**1,377,209**	(521,647)	(255,516)
EPS based on adjusted headline EBITDA	**1.0p**	(0.6p)	(0.6p)

*For the purposes of the above analysis, start-up losses are defined as the net operating result in the period of entities which are organically 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.

Divisional results:

31 December 2013 **£**	Communications	Marketing & Advertising	Head Office	Other/ Consol.[1,2]	**Total**
Revenue	8,291,894	16,737,913	455,827	(1,044,344)	**24,441,290**
Operating profit	272,399	(636,021)	(2,126,371)	–	**(2,489,993)**
EBITDA	582,136	(456,551)	(2,020,255)	–	**(1,894,670)**
Loss from discontinued operations	–	–	–	(7,205)	**(7,205)**
Staff & partner numbers	75	61	10	–	**146**

31 December 2012 £	Communications	Marketing & Advertising	Head Office	Other/ Consol.1	Total
Revenue	3,696,791	4,243,258	–	444,576	8,384,625
Operating profit	(739,012)	(592,019)	(3,120,953)	–	(4,451,984)
EBITDA	(494,105)	(517,955)	(3,071,062)	–	(4,083,122)
Loss from discontinued operations	–	–	–	(485,804)	(485,804)
Staff & partner numbers	40	52	10	–	102

1. For the purpose of the above analysis, Other/Consol column includes consolidation adjustments in relation to intercompany and results from discontinued operations.
2. The loss of £7,205 relates to foreign exchange movement between 31 December 2012 and 14 January 2013 following finalisation of the disposal of Impact 34 Reklam ve Organizasyon Denismanlik Hizmetleri Limited which was fully disclosed in Note 9 in the 2012 Group Financial Statements.

Strategic Report
Review of the Business *(continued)*

For the year ended 31 December 2013

Communications

The Communications division includes Newgate Communications and Newgate Threadneedle, the AIM specialist PR agency, collectively forming the Newgate team ('Newgate'). Newgate Threadneedle produced a record year financially on the strength of several IPO mandates won throughout the year. The Group announced during the period its intention to integrate the capital markets teams from these two businesses in the UK to trade as Newgate Communications, looking to build on the solid base of retainer clients and covering the Main Market as well as AIM.

The Group expanded the Newgate brand internationally by opening offices in Hong Kong, Singapore, and four offices in Australia: Sydney, Melbourne, Canberra and Brisbane. While all of these offices are start-up ventures, the Group has been fortunate to hire highly-regarded, seasoned professionals from each of these markets, including the UK market where a number of new hires joined during the year to bolster the Newgate practice in London.

The Group announced on 8 March 2013 that it acquired Cauldron Consulting Limited, a media relations and market intelligence firm specialising in financial services which is now part of the Communications division. The initial consideration for the acquisition was settled through the issue of a £200,000 loan note by the Company that was payable in May 2013. The Cauldron client list has since been integrated into Newgate.

Globally, the combined Newgate business has increased its client list to 275 at 31 December 2013 compared with 150 at the start of the year. Accordingly, Newgate was recognised as the fastest growing agency globally in 2013 by an industry publication.

This division also includes Project 13 Communications Limited ('Thirteen'), a start-up business that began operations in November 2013, with the Group taking a 51% stake satisfied by start-up capital and the issue of 2,692,300 ordinary shares of 10p each in the Group at a price of 13p per share.

Despite the number of start-ups and new hires during the year, and the business still building up to full capacity, the Communications division overall finished the year reporting revenue of £8,291,894 (2012: £3,696,791), gross profit of £7,387,819 (2012: £3,422,644), positive EBITDA of £582,136 (2012: £494,105 loss), operating profit of £272,399 (2012: £739,012 loss) and employed a total of 75 (2012: 40) people.

Marketing and Advertising

The Marketing and Advertising division comprises Twenty20 Media Group, the business and its subsidiaries that was acquired in 2012, and 21:12 Communications, the business that was formed by two start-ups in 2012, Twenty-One Twelve Marketing and Twenty-Four Seven Studios.

During the year the Group also acquired the goodwill and client list of the former direct marketing agency Crazy Horse Brand Response Limited. Crazy Horse provides clients with direct and digital marketing services along with creative input, brand consultancy and advertising, strategic digital input, and media planning and buying in the sectors of financial services, business services and not-for-profit.

After combining Twenty-One Twelve and Twenty-Four Seven, the Group then integrated Crazy Horse, rebranding it 21:12 DM, to form an integrated 21:12 business that employed 18 people at the end of 2013.

Twenty20 delivered a strong first half of the year, experienced a slowdown in advertising spending during the second half, but turned in a stronger performance towards the end of the year. Twenty20 finished the year with 68 clients and employed 43 people at the end of the period.

During the year Twenty20 acquired Summit Marketing Services Limited for a maximum consideration of £682,153 satisfied in cash already paid of £232,153 and deferred consideration payable based on 2014 and 2015 results.

In total, the Marketing and Advertising division overall finished the year reporting revenue of £16,737,913 (2012: £4,243,258), gross profit of £3,919,972 (2012: £1,253,039), EBITDA loss of £456,551 (2012: £517,955 loss), operating loss of £636,021 (2012: £592,019 loss) and employed a total of 61 (2012: 52) people.

Head office (central costs)

The central costs of the Group comprise the on-going costs of running an internationally growing public company. These costs have been affected in 2013 by the expenses involved in acquiring companies and forming start-up businesses and non-specific legal and administrative costs in establishing the Group as it evolves into a global business. Total central costs before taxation have reduced from £3,247,022 in 2012 to £2,511,698 with a significant reduction in legal and professional consultancy costs of £1,190,308, offset by an increase in restructuring and employment costs, and are in line with management expectations for the scale and nature of the growing Group.

Strategic Report

Review of the Business *(continued)*

For the year ended 31 December 2013

Results for the year

The Group reported revenue for the year of £24,441,290, up from £8,384,625 in 2012. Gross profit was £11,191,548 for the year, up from £4,633,857 in 2012. The operating loss before depreciation and amortisation, interest and taxation (EBITDA) was £1,894,670 (2012: £4,083,122 loss). The Board believes that this EBITDA loss does not reflect the true underlying performance during the year as it includes: start-up losses of £2,160,125 (2012: £1,539,155 loss); acquisition costs of £64,069 (2012: £197,165); restructuring costs of £337,441 (2012: £79,000); share-based payments of £99,678 (2012: £69,988); bad debts of £124,707 (2012: £0); and legal and other professional costs of £485,859 (2012: £1,676,167). This gives a core underlying adjusted positive EBITDA before these costs of £1,377,209 (2012: £521,647 loss).

After taking into account amortisation and depreciation, including a charge on intangible assets such as brands and customer lists acquired with Newgate Threadneedle and Twenty20, the overall operating loss for the year amounted to £2,489,993 (2012: £4,451,984).

Net finance costs for the year, including movements on exchange rates, amounted to £546,193 (2012: £177,201) arising principally on the funding loans from Hawk Investment Holdings Limited and Retro Grand Limited, taken out during the year to fund operations, and on bank funding acquired with the Twenty20 Media Group.

In view of the Board's expectation that the Group will be profitable going forward, the Group has recognised the benefit of certain tax losses incurred during the year, combined with movements in deferred tax, resulting in an overall credit to the statement of comprehensive income in the year of £592,035 (2012: £196,172) and a deferred tax asset carried forward in the statement of financial position of £1,068,440 (2012: £441,717). In addition, the Group has unrecognised tax losses carried forward amounting to £2,497,595 (2012: £5,216,684) which it may be able to utilise in relieving tax payments going forward.

The loss for the continuing Group operations for the year after tax was £2,469,992 (2012: £4,431,360). After taking into account the results of the discontinued operations, the loss on all operations for the year was £2,477,197 (2012: £4,917,164).

The majority of Group subsidiaries, which include Limited Liability Partnerships, have non-controlling interests, either as shareholders or as partners, designed to retain and reward the management of those entities. In the case of the Limited Liability Partnerships, the partnership shares due to those partners are deducted in arriving at operating profit or loss above. However, in the case of incorporated subsidiary companies, the non-controlling shareholdings are shown as "non-controlling interests" and their share of dividends and profits or losses are deducted after arriving at the profit or loss after taxation. Taking these into account, the loss attributable to the equity shareholders of the Group itself for the year was £2,726,206 (2012: £5,043,054). Loss per share was 2.0p for the year (2012: 5.3p loss) on continuing activities and 2.0p (2012: 6.0p loss) for the year on continuing and discontinued activities combined.

Strategic Report

Review of the Business *(continued)*

For the year ended 31 December 2013

Financial position and cash flow

	31 December 2013 £	31 December 2012 £
Non-current assets	**10,330,087**	8,886,148
Current assets, excluding cash	**10,149,611**	3,435,535
Cash	**2,544,802**	777,870
Current liabilities	**(12,784,075)**	(9,128,542)
Non-current liabilities	**(3,916,656)**	(1,445,362)
Equity shareholders' funds	**5,193,875**	1,609,556

31 December 2013 £	Communications	Marketing & Advertising	Head Office	Other/ Consol	**Total**
Non-current assets	5,145,906	4,135,185	1,048,996	–	**10,330,087**
Current assets, excluding cash	2,855,018	6,094,991	1,199,603	–	**10,149,611**
Cash	518,228	708,347	1,318,226	–	**2,544,802**
Current liabilities	(2,301,432)	(7,473,150)	(3,009,492)	–	**(12,784,075)**
Non-current liabilities	(217,114)	(1,452,963)	(2,246,580)	–	**(3,916,656)**
Net Assets	6,006,606	2,012,410	(1,689,247)	–	**6,323,769**

31 December 2012 £	Communications	Marketing & Advertising	Head Office	Other/ Consol	Total
Non-current assets	4,553,688	3,908,563	423,897	–	8,886,148
Current assets, excluding cash	740,368	1,984,242	338,424	372,501	3,435,535
Cash	306,949	167,819	118,961	184,141	777,870
Current liabilities	(1,328,440)	(2,740,633)	(4,513,844)	(545,625)	(9,128,542)
Non-current liabilities	(223,652)	(1,452,963)	(3,594)	–	(1,445,362)
Net Assets	4,048,913	2,101,875	(3,636,156)	11,017	2,525,649

Cash flows

	31 December 2013 £	31 December 2012 £
Cash outflow from operating activities	**(4,487,303)**	(3,513,227)
Cash inflow from investing activities	**(973,659)**	51,442
Cash inflow from financing activities	**7,236,973**	3,261,001
Taxes paid	**(6,674)**	(178,975)
Cash in hand at end of period	**2,544,802**	777,870

The rapid growth of the Group has also had a significant impact on its cash flow position. The Group has improved its loss before tax position by almost 35% compared to the prior year. The overall increase in trading volume, the Asia-Pacific start-ups during the year and the international expansion of the business itself has impacted the working capital cycle with an eight day increase in trade receivables turnaround to 87 days and a 33 days decrease in trade payable turnaround to 89 days.

Net cash outflow from investing activities is over £1.0 million higher than in 2012 due to fact that the acquisitions of subsidiaries (net of cash acquired) made during 2013 were 60/40 funded with cash/shares respectively in comparison to 2/98 ratio in 2012. The significant increase in the depreciation and amortisation charge during the year by 60% compared to 2012 has been offset by a reduction in volume of fixed assets purchase by 30%.

Net cash outflow from investing activities is over £1.0 million higher than in 2012 due to fact that the acquisitions of subsidiaries (net of cash acquired) made during 2013 were 60/40 funded with cash/shares respectively in comparison to 2/98 ratio in 2012. The significant increase in the

Strategic Report

Review of the Business *(continued)*

For the year ended 31 December 2013

depreciation and amortisation charge during the year by 60% compared to 2012 has been offset by a reduction in the volume of fixed asset purchases by 30%.

Net cash generated from financing activities increased by approximately £4.0 million compared to 2012 (or twice the increase in 2012) generating cash inflow of £7.2m. This is mainly attributable to two successful placings and new proceeds from borrowings for a total of £2.8 million during the year (detailed below). The funds generated through the financing activities of the Group were obtained with the purpose of funding the working capital needs of start-ups which proved larger than expected. During the year the Group repaid £1.0 million of loans and slightly over £0.15 million of the related interest (2012: nil repayments).

An equity capital raise of £4.0 million (before expenses) was completed during the first quarter of the year by the issue of 40,000,000 shares at 10p per share. This issue was fully subscribed through a placing and was confirmed at a General Meeting of the Company on 18 March 2013. The funds were used by the Group to implement the next phase of its development, especially by a number of start-ups in the Asia Pacific region now trading under the Newgate Communications brand. We also restructured our loans with Hawk Investments Holdings Limited ('Hawk'), which stood at £3.0 million face value in 2012 following the conversion of £500,000 into ordinary shares at 10p per share and a further loan draw down of £300,000. Of this, £800,000 was repaid and the balance of £1,985,172, including interest, has been converted into a bond which is redeemable on 26 February 2016 at £2,862,000, equivalent to the current financing rate on the Hawk loans. The Hawk loan of £450,000, acquired with the WFCA plc acquisition and repayable on or before 4 March 2014, has been restructured on the same terms but is now repayable in monthly installments to be paid off by 4 March 2015.

A further equity capital raise of £1.5 million (before expenses) was completed at the end of the year by way of a placing of 11,538,462 new ordinary shares of 10p each at a price of 13p. The primary purpose of the placing was to raise funds that were used by the Group as a security deposit for a new property which the Group moved to during April 2014. The deposit was approximately £1.2 million including VAT. The new property is in a central location in London that the Directors believe is important for the business and will provide extra capacity for the Group as it continues to implement its expansion strategy.

The Group obtained £2.3 million in new loan facilities during the year from Retro Grand Limited. The great majority of the working capital funding for the Group has been raised in the parent company, as a central cost, and this is reflected in Group central liabilities at the year end. Despite these additional loans, the Group's year-end 2013 net debt position showed a small reduction, from £3.3 million at the beginning of the year to £3.1 million. As noted in the post year-end comments below, these loan facilities of £2.3 million were repaid in March 2014, further improving the Group's debt position.

Post year-end

At the very end of 2013, the Group announced the opening of a Newgate Communications office in Abu Dhabi, the capital of the United Arab Emirates (UAE). This start-up, located in the Abu Dhabi Media Zone Authority, will liaise closely with the Newgate London office. Newgate Abu Dhabi has already won its first clients, and is pursuing several opportunities in the region.

On February 2014, we announced that the Group raised £7.0 million (before expenses) on AIM by way of an oversubscribed placing of 53,846,153 new ordinary shares at a price of 13p. The funds will be used by the Group to implement the next phase of growth by acquiring a number of public relations and advertising businesses in the UK. The funds were also used to acquire the remaining 20% of Newgate Threadneedle, as well as to repay the £2.4m of loans (including interest) obtained during the year from Retro Grand Limited.

The changes in financing have considerably improved the Group's capital position for the forthcoming year as well as improving the Group's cash flow by reducing its monthly interest payments and will allow the Group to move forward with its planned expansion over the next few months.

On 28 March 2014, we announced the acquisition of two businesses from WSM Communications Group. These two businesses, which will be integrated with the 21:12 Communications business, provide full studio design and art-working capabilities and a full digital design and production unit. The deal was financed by the issue of 7,500,000 ordinary shares at a price of 14.075p per share, with 5,723,802 of the shares issued subject to a 12-month lock-in agreement and a further 12-month orderly market agreement.

On 22 April 2014, we announced that Newgate Communications will establish a start-up in Qatar. The team that will be based in Qatar has already secured its initial retainer contract and is in the process of negotiating a number of further potential contracts. In addition to the Newgate start-up in Abu Dhabi, the Group will have a very solid base on which to build the Newgate brand in the Middle East.

On 23 April 2014, we announced the acquisition of 51% of Redleaf Polhill Limited, a leading full service communications agency, for £1,795,000, satisfied as to £897,500 in cash and the balance through the issue of 6,998,050 ordinary shares. The acquisition is expected to be earnings accretive within its first full year. The shares are subject to a lock-in agreement which provides for a 24-month lock-in period and a further 12-month orderly market period. This acquisition also involves an option to acquire the remaining 49% over the following three years which will be satisfied 50% in cash and 50% in ordinary shares. Redleaf will become part of the public relations division but will continue to be run as a separate brand by its existing team. In January 2014, it was awarded the Grant Thornton QCA PR Firm of the year, and in March 2014 the KPMG/Shares best Advisor-Financial PR.

Strategic Report
Principal risks and uncertainties
For the year ended 31 December 2013

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

Future Acquisitions
On 23 January 2014 the Company announced that the Directors intend to grow the Group through acquisitions. Whilst good progress has been made both on acquisitions since that date and in discussions on further acquisitions, there can be no guarantee that the Directors will be able to agree the acquisitions of further suitable companies and/or businesses on acceptable terms or any guarantee that the Group will be able to raise sufficient future finance at such time. Insofar as the Directors do agree further acquisitions on behalf of the Group, while they will seek to protect the Group by conducting suitable due diligence and agreeing suitable warranties and indemnities from the vendors, there can be no assurance that such new acquisitions could be successfully integrated into the enlarged Group.

Management of Growth
The ability of the Group to implement its strategy requires effective planning and management control systems. The speed at which the business develops may place a significant strain on the Group's management, operational, financial and personnel resources. Failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a detrimental impact on the trading performance of the Group. In mitigation the Group 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 Group 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 the Chief Executive Officer, the Finance Director or other key employees could damage the Group's business. Equally the ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

Future Funding
Although there are currently no immediate plans, the Company may need to raise extra capital in the future to develop fully the Group's business and to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or the Shareholders.

If further financing is obtained by issuing equity securities or convertible debt securities, the Shareholders' holdings of ordinary shares may be diluted and the new securities may carry rights, privileges and preferences superior to the ordinary shares. The Directors may seek debt finance to fund all or part of any future acquisition. There can be no assurance that the Company will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions.

A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Company's control) may make it difficult for the Company to obtain new financing on attractive terms or even at all. If the Company's borrowings become more expensive, then the Company's profits will be adversely affected.

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

Forward-looking Statement
This annual report contains forward-looking statements on Porta Communications Plc's future financial performance, results from operations, and goals and strategy. By definition, forward-looking statements generate risk and uncertainty because they refer to events in the future and depend on circumstances that cannot be foreseen in advance. Numerous factors can contribute to material deviation from results and developments indicated in forward-looking statements. Such factors can include general economic circumstances, scarcity on the labour market and the ensuing demand for personnel, changes in labour legislation, personnel costs, future exchange and interest rates, changes in tax rates, and future corporate mergers, acquisitions and divestments. You should not place undue reliance on these forward-looking statements. They are made at the time of publication of the annual financial statements of the company and in no way provide guarantees for future performance. All operating and business environments are subject to risk and uncertainty. For this reason, we can offer no assurances that the forward-looking statements published here will prove correct at a future date, and the company assumes no duty to update any such forward-looking statements.

The Chairman and Chief Executive's Statement is incorporated into this Strategic Report by reference.

Strategic Report
Our place in the community
For the year ended 31 December 2013

Corporate Social Responsibility
As an AIM quoted company, we understand and take our responsibility to the communities in which we live and work seriously, while taking steps to minimise our impact on the environment through our actions and those of our many clients and suppliers.

Porta Communications focuses on the key areas of the Community, Environment, our Marketplace and the Workplace we create for our teams.

Our Community
Porta Communications approach is centred on working hard to maximise the positive in all that we do.

The growing team of talented individuals within the business are encouraged to support our community in London and globally, giving our expertise pro-bono and financially backing projects where we feel we can make a difference.

Porta has identified two charities where it believes it can make a difference:

centre point give homeless young people a future

HEART UK THE CHOLESTEROL CHARITY

Centrepoint's vision is to end youth homelessness and to give homeless young people a future. The organisation is the UK's leading charity for youth homelessness and provides housing and support for 1,000 homeless young people aged 16-25 each year. Porta is working to build a comprehensive partnership centred on sharing our key skills with the charity and our energy in fund raising and participating in major events.

HEART UK helps anyone affected by raised cholesterol by bringing people together providing information, support, education and campaigning for improved identification and standards of care. Their vision is that by 2016, the majority of UK adults will know their cholesterol levels, understand the impact and be taking any necessary action.

Porta believes that by working with these charities we can use our skills and talented people to make a difference and have an on-going objective to support more industry initiatives and projects alongside our clients.

Environment
Porta Communications works hard to understand our impact on the environment and take steps to reduce our impact through our actions, while promoting positive action on behalf of our clients.

We recycle, reuse and reduce our emissions where we can. The paper we use in-house is recycled and FSC graded, our coffee Fairtrade, our water filtered and many of our team can be found walking, running and cycling into the office daily.

- The head office at 50 Basinghall Street has a responsive lighting system and is powered down at evenings and weekends to reduce any unnecessary power consumption in addition rainwater is used in the buildings waste disposal system.
- Recycling facilities including paper, glass and dry waste are provided through the offices.
- Participation in events such as Earth Hour are all part of our wider responsibility to reduce consumption and minimise waste.
- Office supplies – including paper – are provided by Bates Office which has IS014001 BSI accreditation.
- As a major buyer of print, we work with our supply chain to supply from environmentally sound sources including the use of FSC 55% recycled paper with many clients.

Our market place
Alongside our own activities, Porta Communications is a member of numerous industry bodies and participates in activities to improve our marketplace.

Business Community Market Principles
- Respect customers and support vulnerable customers.
- Seek potential customers within excluded groups.
- Manage the impact of product or service.
- Actively discourage product misuse.
- Actively manage responsibility in our supply chain.
- Treat suppliers as partners.
- Work with the rule makers.
- Have consistent standards.

Strategic Report

Our place in the community *(continued)*

For the year ended 31 December 2013

Our workplace

As a thriving new global business, we are consistently innovative and creative, while maintaining a healthy and lively space for work.

Volunteering – we actively support our people to give their skills and time to support the communities in which we live and work. The business is a member of Heart of the City and is actively developing a programme of support for some of the brilliant charities that serve the hugely disadvantaged communities of on the doorstep of the City of London

Diversity – we have an active policy to be an equal opportunity employer and contractor and do not discriminate by gender, race, age, disability or faith

Wellness – our health cover for staff is provided by Pru Health which offers all staff 50% gym membership along with association with Heart UK – we understand the value of supporting our people to prioritise their health and take a positive stance to promote wellbeing.

Gene Golembiewski
Group Finance Director

27 May 2014

Report of the Directors

For the year ended 31 December 2013

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2013.

Directors

The following Directors have held office during the year:

Bob Morton
David Wright
Gene Golembiewski (appointed 25 July 2013)
Brian Blasdale
Raymond McKeeve
Keith Springall (resigned 21 July 2013)

Bob Morton, Non-Executive Chairman

Bob is a chartered accountant, successful entrepreneur and has substantial public company experience. He has served as Chairman to various companies including Systems Union, Maclellan and Vislink plc and is currently also Chairman of a number of other public and listed companies including Armour Group plc, Servoca plc and St Peter Port Capital Limited. In addition, he holds directorships in a wide range of private companies.

David Wright, Group Chief Executive

David began his career as a journalist and left the Financial Times in 1978 to start a new career in Financial Public Relations. He became Chief Executive of Streets Financial Strategy from 1986 to 1988 before establishing Citigate in late 1988. In 1997 he reversed Citigate into Incepta plc. David became Chief Executive of the enlarged Group later becoming Chairman. Between 1997 and 2003 when David left Incepta plc he built the largest international financial communications company in the world through a series of key acquisitions and an active recruitment programme.

Gene Golembiewski, Group Finance Director and Company Secretary

Gene started his career as a Certified Public Accountant in the U.S. at Touche Ross & Co., switching to marketing services when he joined Omnicom owned Ketchum, eventually becoming International Finance Director. Ten years on saw Gene become worldwide CFO and COO of Gavin Anderson & Company to help drive forward the global development, culminating in the international merger of Gavin Anderson with another firm.

Brian Blasdale, Non-Executive Director

Following an early career with P&O Shipping Company, Brian held a number of senior sales & marketing roles with blue chip companies including Kodak Limited. Thereafter he formed his own IT outsourcing company, achieving success in attracting a number of major blue chip companies as clients. Subsequently he co-founded I-B Net Limited in March 2000 which was listed on AIM. Since this time Brian has actively been involved with a number of companies as Chairman and non-executive director for and on behalf of Lloyds Development Capital Private Equity.

Raymond McKeeve, Non-Executive Director

Raymond is a partner at Jones Day. He is widely regarded as a leading private equity specialist. He advises many of the leading private equity houses, SWFs and their investee companies as well as some of the leading lenders into the leverage market across all areas of corporate practice, including acquisitions, disposals, restructurings and ECM work. His practice covers both the domestic UK market as well as a broad international offering including MENA and sub Saharan Africa. Raymond also sits in a personal capacity on the MOD Defence Reform Unit chaired by Lord Levene.

Business review and future outlook

The review of the business for the year and the future outlook is given in the Chairman's Statement and the Strategic Report on pages 4 to 5.

Going concern

The Group's forecast and projections show that the Group should be able to operate within the level of its current financial means, for at least twelve months from the signing of these financial statements.

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

Dividends

The Company is not proposing to declare a dividend for the year ended 31 December 2013 (2012: £Nil).

Report of the Directors *(continued)*

For the year ended 31 December 2013

Directors' interests

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

	ordinary shares of 10p each	
	31 December 2013 See note[1]	31 December 2012 See note[1]
Bob Morton	**29,215,629**	11,457,937
David Wright	**2,471,000**	2,471,000
Keith Springall (resigned 21 July 2013)	**170,000**	170,000
Gene Golembiewski (appointed 25 July 2013)	**0**	0
Brian Blasdale	**1,627,332**	1,627,332
Raymond McKeeve	**3,250,000**	3,250,000

1. Date of appointment if later, or date of resignation, if earlier.

The details of Directors' share options are given in the Report of the Remuneration Committee on page 21.

Since 31 December 2013, Bob Morton has increased his interests in the shares of the Company by 3,076,923 ordinary shares as a result of participation in the equity placing completed in March 2014. Gene Golembiewski now holds 769,230 Ordinary Shares as a result of participation in the equity placing completed in March 2014.

Substantial shareholdings

As at 26 May 2014 notification has been received of the following interests in 3% or more of the issued share capital of the Company:

	Number of Ordinary shares held	Percentage
Hawk Investment Holdings Limited[1]	32,292,552	14.12%
Hargreave Hale	26,577,514	11.62%
Fidelity	16,071,539	7.03%
Ruffer LLP	15,114,921	6.61%
Graham Herring	8,244,786	3.60%
City Financial	7,726,701	3.38%

1. Hawk Investment Holdings Limited is a company beneficially owned by Bob Morton and his wife.

On 18 March 2013 the Company completed an equity fundraising in which Hargreave Hale subscribed for 10,000,000 ordinary shares at a price of 10p per share, investing £1,000,000. On 10 December 2013 a further equity fundraising was completed where Hargreave Hale invested approximately £500,000 through the subscription of a further 5,000,000 Ordinary Shares.

Report of the Directors *(continued)*

For the year ended 31 December 2013

Employment

As at 31 December 2013, the Group employed 146 people (2012: 102) globally in its continuing operations. The Group takes its responsibilities to its employees seriously and is committed to high standards of employment practice. The Group's aim is to develop successful employees who will stay with the Group as it expands and who see exciting future employment prospects with the Group.

Auditors

Nexia Smith & Williamson have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 2006 a resolution that they be re-appointed as auditors of the Company for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Directors Indemnity Insurance

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

Disclosure of information to the auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations and International Financial Reporting Standards as adopted by the European Union.

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

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

The Directors confirm that they have complied with the above requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Corporate Governance

The Company's statement of corporate governance can be found in the Corporate Governance Report on pages 18 to 20 of this Report and Financial Statements. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by reference.

Directors' Remuneration

The Report of the Remuneration Committee is on pages 21 to 22 of this Report and Financial Statements. The Report of the Remuneration Committee forms part of this Directors' Report and is incorporated into it by reference.

Annual General Meeting

A notice convening the Annual General Meeting to be held on 26 June 2014 at 12.00 pm is included with this report. The Report of the Directors was approved by the Board on 27 May 2014 and signed by order of the Board by:

Gene Golembiewski
Company Secretary

27 May 2014

Corporate Governance Report

For the year ended 31 December 2013

Compliance

The Directors recognise the value of the Principles of the UK Corporate Governance Code (previously the Combined Code on Corporate Governance). Although, as an AIM company, compliance with the Code is not required the Group has regard to these principals when practicable and appropriate for a Group of its size.

The following statement describes how the Group as at 31 December 2013 sought to address the principles underlying the UK Corporate Governance Code.

Board composition and responsibility

The Board consists of two Executive Directors and three Non-Executive Directors. All Directors are equally accountable for the proper stewardship of the Group's affairs.

The Board's primary objective is to focus on adding value to the assets of the Group by assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. The implementation of Board decisions and day-to-day operations of the Group are delegated to management. In making commercial assessments the Directors review detailed plans including financial viability reports that, among other things, detail the impact of proposals in respect of return on capital, return on cash and the likely impact on the statement of comprehensive income, cash flows and gearing. Strategy is determined after having taken due regard of forecast domestic and international developments.

Group and divisional budgets and quarterly financial forecasts including net assets and cash flow projections are formally reviewed by the Board on a quarterly basis. In addition the Executive Directors monitor cash flows on a weekly basis. The Board meets normally at least twelve times during the year and holds other ad hoc meetings as required. It is responsible to the shareholders of the Company for the strategy and future development of the Group and the management of its resources. The Board has a formal schedule of matters specifically reserved to it for decision; other decisions are dealt with as day-to-day matters by management. In broad terms, the on-going remit of the Board is as follows:

- Approval of the Group's annual budgets and forecasts and ongoing review of Group strategy and performance;
- Approval of the annual report and any statements made therein;
- Approval of any significant changes in accounting policies and practices;
- Appointment or removal of directors or the company secretary;
- Approval of appointment of senior staff and setting of their remuneration;
- Approval of any material expenditure or capital commitments;
- Ensure maintenance of robust systems of internal control – including all operating and financial systems through annual review and assessment;
- Review of the Board's own effectiveness; and
- Ensure continued compliance with any regulatory requirements.

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

The Non-Executive Directors have particular responsibility to scrutinize and assess the strategy proposed by the executive management, to evaluate performance, business risk and the integrity of financial information and controls, and to ensure appropriate remuneration and succession arrangements are put in place for the Executive Directors. Brian Blasdale and Raymond McReeve are considered to be independent Non-Executive Directors for the purpose of the Code.

Policy on election

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and are subject to re-election at least every three years thereafter. Non-Executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act 2006.

The Board does not automatically re-nominate Non-Executive Directors for election by shareholders. The terms of appointment of the Non-Executive Directors can be obtained by request to the Company Secretary.

Corporate Governance Report *(continued)*

For the year ended 31 December 2013

Board meetings

Sixteen board meetings were held during the year. The Directors' attendance record during the year is:

	Maximum number of meetings available to be attended	Number of meetings attended
Bob Morton	16	12
David Wright	16	16
Gene Golembiewski (appointed 25 July 2013)	6	6
Brian Blasdale	16	12
Raymond McKeeve	16	8
Keith Springall (resigned 21 July 2013)	10	9

Board effectiveness

For the time being, the Board itself considers its effectiveness, and that of its committees and Directors, on an on-going basis. It considers this appropriate to a company of this size.

Audit Committee

The Audit Committee comprises two Non-Executive Directors, Brian Blasdale (Chairman) and Raymond McKeeve. The external auditor as well as the Chief Executive Officer, the Group Finance Director and other finance staff are invited to attend these meetings as and when required.

The principal duties of the Committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors. The terms of reference of the Committee reflect current best practice, including authority to:

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

The Audit Committee may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department.

The Committee also reviews compliance with best practices for corporate governance.

Remuneration and Nomination Committee

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration. The Remuneration and Nomination Committee comprises Brian Blasdale (Chairman) and Raymond McKeeve. The committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. The Committee meets at least once a year. The Committee also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

Principal risks and uncertainties including financial risk management

The principal risks identified by the Directors that may affect the Group as well as financial risk management is disclosed on page 12 of the Strategic Report.

Internal control and risk

The Directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. By its nature, such a system is designed to manage rather than eliminate the risk of failure

Corporate Governance Report *(continued)*

For the year ended 31 December 2013

to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group continually reviews its internal controls and procedures and corrective actions taken to mitigate risks are identified and implemented where thought necessary.

Shareholder communication

The Board encourages regular dialogue with the Group's shareholders and has a policy of making itself available to shareholders at the Annual General Meeting to which all shareholders are invited to attend. Additional information is supplied during the year through announcements to the London Stock Exchange.

The Chief Executive Officer, Group Finance Director and, from time to time, the Chairman or other Directors, meet individual and institutional shareholders and provide such information as is permissible in order to facilitate a better understanding of the Group's business and operations. Additionally, the Board usually receives shareholder feedback reports prepared by the Nominated Adviser following pre-arranged meetings with institutional fund managers and analysts.

Corporate social responsibility

The Board recognises that it has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment and contributes as far as is practicable to the local community and the Board takes a responsible and positive approach to employment practices.

Bob Morton
Chairman of the Board

27 May 2014

Report of the Remuneration Committee

For the year ended 31 December 2013

The role and composition of the Remuneration Committee is set out on page 18.

Directors' remuneration

Year ended 31 December 2013	Notes	Fees and salaries £	Bonuses £	Pension contri- butions £	Other benefits (note 3) £	**Total £**
Executive						
David Wright		120,000	–	12,000	6,331	**138,331**
Gene Golembiewski (from 25 July 2013)		125,000	–	–	–	**125,000**
Keith Springall (resigned 21 July 2013)		70,000	–	7,000	16,084	**93,084**
Non-executive						
Bob Morton	1	30,000	–	–	–	**30,000**
Brian Blasdale	1	31,200	–	–	5,346	**36,546**
Raymond McKeeve	2	1	–	–	–	**1**
		376,201	–	19,000	27,761	**422,962**

1. The majority of this remuneration was paid through Directors' service companies as detailed in note 24 to the financial statements.
2. Mr McKeeve's contract entitles him to a fee of £1 per annum.
3. Other benefits comprise payment in respect of healthcare and life insurance and similar benefits.

All of the above remuneration is accounted for within continuing operations. In addition to the amounts disclosed above £76,503 was charged to the Statement of Comprehensive Income as share-based payments expense in relation the share options granted to Directors' during the period (2012: £41,224). Further information in relation to share based payments is disclosed in note 20 to the financial statements.

Year ended 31 December 2012	Notes	Fees and salaries £	Bonuses £	Pension contri- butions £	Other benefits (note 3) £	**Total £**
Executive						
David Wright		120,000	–	12,000	6,608	**138,608**
Keith Springall		120,000	–	12,000	5,583	**137,583**
Non-executive						
Bob Morton (from 26 September 2012)	1	7,500	–	–	–	**7,500**
Brian Blasdale	1	29,400	–	–	5,590	**34,990**
Raymond McKeeve	2	–	–	–	–	**–**
		276,900	**–**	**24,000**	**17,781**	**318,681**

1. The majority of this remuneration was paid through Directors' service companies as detailed in note 24 to the financial statements.
2. Mr McKeeve's contract entitles him to a fee of £1 per annum.
3. Other benefits comprise payment in respect of healthcare and life insurance and similar benefits.

Report of the Remuneration Committee *(continued)*

For the year ended 31 December 2013

Service agreements

The Executive Directors have service agreements which require not more than 12 months' notice of termination. Non-Executive Directors are not entitled to service contracts but are appointed under letters of appointment which provide for three months' notice of termination.

Shareholdings and share options

The Directors' interest in the shares of the Company are set out in the Report of the Directors on page 16.

On 19 March 2013 the Company cancelled all options granted under its Enterprise Management Incentive and Unapproved Share Option Plan ("EMI and Unapproved Plans") and re-granted options over an aggregate of 3,920,000 ordinary shares ("the Options") to certain employees of and consultants to the Group, all with an exercise price of 10p per share, including 1,200,000 to each of David Wright, Chief Executive Officer of the Company and Keith Springall, Finance Director of the Company at the time. 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 Directors may not be exercised if the mid-market share price of the company is equal to or less than 20p.

On 25 June 2013 a further grant of options under the EMI and Unapproved Plans was made over 2,948,679 ordinary shares to David Wright, Chief Executive Officer, with an exercise price of 20p per share. The option will vest in two equal tranches on the first and second anniversary of grant and will expire on the tenth anniversary of grant. The option shall not be exercisable if the earnings per share targets specified in the option have not been satisfied. On 16 December 2013, further options over 71,500 ordinary shares were granted to 2 employees under the EMI and Unapproved Plans, with an exercise price of 14p per share.

During the period options over 280,000 ordinary shares lapsed and options over 33,333 ordinary shares at an exercise price of 10p were exercised and those shares were issued to the individual.

Further information in relation to the grant of the options is provided in note 20 to the Financial Statements.

On 18 March 2014 a grant of options was made to Gene Golembiewski, Group Finance Director, with an exercise price of 20p per share. Further details can be found in note 25 to the Financial Statements.

On behalf of the Board

Brian Blasdale
Director, Chairman of the Remuneration Committee

27 May 2014

Independent Auditor's Report

To the Members of Porta Communications PLC For the year ended 31 December 2013

We have audited the financial statements of Porta Communications PLC for the year ended 31 December 2013 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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

Andrew Bond
Senior Statutory Auditor, for and behalf of
Nexia Smith & Williamson
Statutory Auditor, Chartered Accountants

25 Moorgate
London EC2R 6AY
27 May 2014

The maintenance and integrity of the Porta Communications PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Continuing operations			
Revenue	2	**24,441,290**	8,384,625
Cost of Sales		**(13,249,742)**	(3,750,768)
Gross Margin		**11,191,548**	4,633,857
Operating and administrative expenses	3	**(13,681,541)**	(9,085,841)
Operating loss		**(2,489,993)**	(4,451,984)
Finance expense	5	**(546,193)**	(177,201)
Finance income	5	**1,057**	1,653
Share of profit/(loss) in associate	10.2	**(26,898)**	–
Loss before taxation on continuing operations		**(3,062,027)**	(4,627,532)
Tax credit	6	**592,035**	196,172
Loss for the period on continuing operations		**(2,469,992)**	(4,431,360)
Discontinued operations			
Loss for the period from discontinued operations (all attributable to the owners of the Company)	9	**(7,205)**	(485,804)
(Loss)/profit for the period		**(2,477,197)**	(4,917,164)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(2,726,206)**	(5,043,054)
Non-controlling interests		**249,009**	125,890
		(2,477,197)	(4,917,164)
Other comprehensive income from continuous operations			
Exchange differences arising on items that may be subsequently reclassified to profit and loss		**(104,338)**	215
Exchange differences arising on sale of subsidiary		**–**	–
Total other comprehensive income, net of tax		**(104,338)**	215
Other comprehensive income from discontinued operations		**–**	–
Total comprehensive income for the period		**(2,581,535)**	(4,916,949)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(2,775,144)**	(5,042,839)
Non-controlling interests		**193,609**	125,890
		(2,581,535)	4,916,949
Earnings/(loss) per share – basic and diluted	11		
On continuing operations		**(2.0p)**	(5.3p)
On discontinued operations		**0.0p**	(0.7p)
On continuing and discontinued operations		**(2.0p)**	(6.0p)

Comparative amounts, including earnings per share, have been restated to reflect classification of activities between continuing and discontinued operations.

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

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Non-current assets			
Intangible assets	13	**8,787,466**	8,128,294
Fixed assets	14	**323,157**	286,760
Deferred tax asset	6	**1,091,742**	471,094
Other investments	7	**1,000**	–
Investment in associates	10.2	**126,721**	–
Total non-current assets		**10,330,087**	8,886,148
Current assets			
Assets held for sale		**–**	26,007
Work in progress		**2,320,205**	186,694
Trade and other receivables	16	**7,829,406**	3,222,834
Cash and cash equivalents		**2,544,802**	777,870
Total current assets		**12,694,413**	4,213,405
Current liabilities			
Liabilities held for sale		**–**	(30,070)
Trade and other payables	17	**(9,819,605)**	(5,693,765)
Current tax liabilities		**(149,310)**	–
Loans and borrowings	21	**(2,815,160)**	(3,404,707)
Total current liabilities		**(12,784,075)**	(9,128,542)
Net current assets		**(89,662)**	(4,915,137)
Non-current liabilities			
Deferred tax liabilities	6	**(391,384)**	(414,164)
Fair value of contingent consideration	18	**(636,029)**	(381,198)
Loans and borrowings	21	**(2,889,243)**	(650,000)
Total non-current liabilities		**(3,916,656)**	(1,445,362)
Net assets		**6,323,769**	2,525,649
Equity			
Share capital	19	**16,860,101**	10,891,396
Share premium		**3,117,545**	2,742,120
Retained losses		**(13,883,454)**	(11,081,486)
Translation reserve		**(48,367)**	7,501
Other reserves	20	**(851,950)**	(949,975)
Total equity shareholders' funds		**5,193,875**	1,609,556
Equity non-controlling interests		**1,129,894**	916,093
Total equity		**6,323,769**	2,525,649

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2014.

Gene Golembiewski
Group Finance Director
Porta Communications PLC (company registration number: 05353387)

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

Company Statement of Financial Position

As at 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Intangible assets	13	**40,588**	34,486
Fixed assets	14	**119,201**	163,851
Deferred tax assets	6	**889,207**	225,560
Investment in subsidiaries	15	**4,332,177**	3,833,090
Trade and other receivables due from related parties	24	**6,056,548**	3,999,402
Total non-current assets		**11,437,721**	8,256,389
Current assets			
Work in progress		**–**	2,428
Trade and other receivables	16	**1,199,604**	340,376
Cash and cash equivalents		**1,318,226**	118,961
Total current assets		**2,517,830**	461,765
Current liabilities			
Trade and other payables	17	**(677,936)**	(1,587,022)
Loans and borrowings	21	**(2,365,161)**	(2,954,707)
Total current liabilities		**(3,043,096)**	(4,541,729)
Net current liabilities		**(525,267)**	(4,079,964)
Non-current liabilities			
Deferred tax liabilities	6	**(7,337)**	(3,593)
Loans and borrowings	21	**(2,239,243)**	–
Total non-current liabilities		**(2,246,580)**	(3,593)
Net assets		**8,665,874**	4,172,832
Equity			
Share capital	19	**16,860,101**	10,891,396
Share premium		**3,117,545**	2,742,120
Retained losses		**(10,598,122)**	(8,649,009)
Other reserves		**(713,650)**	(811,675)
Total equity shareholders' funds		**8,665,874**	4,172,832

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2014.

Gene Golembiewski
Group Finance Director
Porta Communications PLC (company registration number: 05353387)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 2013 £	Year ended 2012 £
Cash flow from operating activities		
Loss before taxation on continuing activities	(3,062,027)	(4,627,532)
Adjusted for:		
Loss from discontinued operations	(7,205)	(485,804)
Depreciation and amortisation	595,323	379,358
Finance income	(1,057)	(1,653)
Tax paid	(6,674)	(178,975)
Gift of capital to Limited Liability Partnership	24,000	40,000
Finance costs (2012: Capitalised interest)	546,193	33,607
Loss on disposal of property, plant and equipment	–	9,505
Share of losses of associate	26,898	–
Increase in work in progress	(2,180,596)	(170,117)
Increase in trade and other receivables	(4,483,712)	(359,395)
Increase in trade and other payables	4,002,834	1,777,792
Equity settled share based payments	99,678	69,987
Unrealised foreign exchange gain	(40,958)	–
Net cash outflow from operating activities	(4,487,303)	(3,513,227)
Cash flows from investing activities		
Acquisition of intangible assets	(77,627)	(191,904)
Acquisition of property, plant and equipment	(195,965)	(181,972)
Dividends paid to non-controlling interests	(62,500)	(126,266)
Acquisition of subsidiaries, net of cash acquired	(411,661)	549,931
Acquisition of other investments	(74,102)	–
Interest received	846	1,653
Interest paid	(152,650)	–
Net cash (outflow)/ inflow from investing activities	(973,659)	51,442
Cash flows from financing activities		
Proceeds from the issue of ordinary shares (net of issue costs)	5,433,640	311,000
Proceeds from loans and borrowings	2,800,000	2,950,000
Repayment of the loans and borrowings	(1,000,000)	–
Proceeds from exercise of share options	3,333	–
Net cash generated from financing activities	7,236,973	3,261,000
Net increase/(decrease) in cash and cash equivalents	1,776,011	(200,785)
Cash and cash equivalents at 1 January	777,870	979,070
Effect of exchange rate changes	(9,079)	(415)
Cash and cash equivalents at 31 December	2,544,802	777,870

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

Company Statement of Cash Flows

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Cash flow from operating activities			
Loss before taxation on continuing activities		**(2,609,016)**	(2,936,989)
Adjusted for:			
Impairment of investments		**–**	43,242
Depreciation and amortisation		**106,116**	49,891
Finance costs (2012: Capitalised interest)		**458,474**	33,607
Gift of capital to Limited Liability Partnerships		**4,000**	–+
Interest received		**(784)**	–
Dividend from subsidiary company		**–**	(505,067)
Intercompany interest charge		**(128,059)**	–
Increase in work in progress		**2,428**	–
Loss on disposal of property, plant and equipment		**–**	4,736
Increase in trade and other receivables		**(859,228)**	(66,032)
Increase in amounts receivable from subsidiary companies		**(2,078,979)**	(2,145,722)
(Decrease)/Increase in trade and other payables		**(834,865)**	1,438,080
Equity settled share based payments		**99,678**	42,152
Unrealised foreign exchange loss		**98,570**	–
Net cash outflow from operating activities		**(5,741,665)**	(4,042,102)
Cash flows from investing activities			
Acquisition of subsidiary company		**(149,088)**	–
Acquisition of intangible assets		**(29,157)**	(34,134)
Acquisition of property, plant and equipment		**(38,412)**	(147,990)
Interest received		**784**	–
Interest paid		**(80,171)**	
Dividend received from subsidiary company		**–**	505,067
Net cash (outflow)/ inflow from investing activities		**(296,044)**	322,943
Cash flows from financing activities			
Proceeds from the issue of ordinary shares (net of issue costs)		**5,433,640**	311,000
Proceeds from loans and borrowings		**2,800,000**	2,950,000
Repayment of loans and borrowings		**(1,000,000)**	–
Proceeds from exercise of share options		**3,333**	–
Net cash generated from financing activities		**7,236,973**	3,261,000
Net increase/(decrease) in cash and cash equivalents		**1,199,265**	(458,159)
Cash and cash equivalents at 1 January		**118,961**	577,120
Cash and cash equivalents at 31 December		**1,318,226**	118,961

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital £	Share premium £	Retained losses £	Translation reserve £	Other Reserves £	Total equity share-holders' 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**
Total comprehensive income								
Loss for the period	–	–	(2,726,206)	–	–	(2,726,206)	249,009	(2,477,197)
Other comprehensive income	–	–	–	(48,938)	–	(48,938)	(55,400)	(104,338)
Total comprehensive income	–	–	(2,726,206)	(48,938)	–	(2,775,144)	193,609	(2,581,535)
Transactions with owners of the Company, recognised directly in equity								
Contributions by owners:	–	–	–	–	–	–	–	–
Issue of ordinary shares	5,696,142	358,841	–	–	–	6,054,983	–	6,054,983
Issue of ordinary shares in relation to business combinations	269,230	80,770	–	–	–	350,000	–	350,000
Issue costs	–	(66,360)	–	–	–	(66,360)	–	(66,360)
Dividend paid to non-controlling interest	–	–	–	–	–	–	(62,500)	(62,500)
Share based payments	–	–	–	–	99,678	99,678	–	99,678
Share options exercised	3,333	2,174	–	–	(1,653)	3,854	–	3,854
Changes in ownership interests of subsidiaries:								
Disposal of subsidiary with non-controlling interest (I34)	–	–	(75,762)	(6,930)	–	(82,692)	82,692	–
Total transactions recognised directly in equity	5,968,705	375,425	(75,762)	(6,930)	98,025	6,359,463	20,192	6,379,655
Balance at 31 December 2013	**16,860,101**	**3,117,545**	**(13,883,454)**	**(48,367)**	**(851,950)**	**5,193,875**	**1,129,894**	**6,323,769**

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

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2012

	Share capital £	Share premium £	Retained losses £	Translation reserve £	Other Reserves £	Total equity share-holders' funds £	Non-controlling interests £	Total equity £
Balance at 1 January 2012	**7,723,701**	**2,742,120**	**(5,999,432)**	**7,286**	**1,143**	**4,474,818**	**702,085**	**5,176,903**
Total comprehensive income								
Loss for the year	–	–	(5,043,054)	–	–	(5,043,054)	125,890	(4,917,164)
Other comprehensive income	–	–	–	215	–	215	–	215
Total comprehensive income	–	–	(5,043,054)	215	–	(5,042,839)	125,890	(4,916,949)
Transactions with owners of the Company, recognised directly in equity								
Contributions by owners:								
Issue of ordinary shares for acquisition of subsidiary	2,782,695	–	–	–		2,782,695	–	2,782,695
Issue of other ordinary shares	385,000	–	–	–		385,000	–	385,000
Issue costs	–	–	(39,000)	–	–	(39,000)	–	(39,000)
Fair value adjustment for shares issued as consideration in accordance with IFRS 3	–	–	–	–	(911,706)	(911,706)	–	(911,706)
Dividend paid to Non-controlling Interest	–	–	–	–	–	–	(126,266)	(126,266)
Share based payments	–	–	–	–	69,988	69,988	–	69,988
Equity component of convertible loan issued in period	–	–	–	–	28,900	28,900	–	28,900
	3,167,695	–	(39,000)	–	(812,818)	2,315,877	126,266	2,189,611
Changes in ownership interests of subsidiaries:								
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	76,133	76,133
Disposal of subsidiary with non-controlling interest	–	–	–	–	–	–	(49)	(49)
Change in ownership interest of subsidiary whilst retaining control	–	–	–	–	(138,300)	(138,300)	138,300	–
Total transactions recognised directly in equity	3,167,695	–	(39,000)	–	(951,118)	2,177,577	88,118	2,265,695
Balance at 31 December 2012	**10,891,396**	**2,742,120**	**(11,081,486)**	**7,501**	**(949,975)**	**1,609,556**	**916,093**	**2,525,649**

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

Company Statement of Changes in Equity

For the years ended 31 December 2012 and 31 December 2013

	Share capital £	Share premium £	Retained losses £	Other reserves £	Total equity shareholders' funds £
Balance at 1 January 2012	7,723,701	2,742,120	(5,253,934)	1,143	5,213,030
Loss for the year	–	–	(3,356,075)	–	(3,356,075)
Issue of ordinary shares related to business combinations	2,782,695	–	–	–	2,782,795
Issue of ordinary shares	385,000	–	–	–	385,000
Fair value adjustment for shares issued as consideration in business combinations	–	–	–	(911,706)	(911,706)
Issue costs	–	–	(39,000)	–	(39,000)
Share based payments	–	–	–	69,998	69,998
Equity component of convertible loan issued in the period	–	–	–	28,900	28,900
Balance at 1 January 2013	**10,891,396**	**2,742,120**	**(8,649,009)**	**(811,675)**	**4,172,832**
Total comprehensive income					
Loss for the period	–	–	(1,949,113)	–	–
Total comprehensive income	–	–	(1,949,113)	–	–
Transactions with owners of the Company, recognised directly in equity					
Contributions by owners:					
Issue of other ordinary shares	5,696,142	358,841	–	–	6,054,983
Issue of ordinary shares relating to business combinations	269,230	80,770	–	–	350,000
Issue costs	–	(66,360)	–	–	(66,360)
Share based payments	–	–	–	99,678	99,678
Share options exercised	3,333	2,174	–	(1,653)	3,854
Equity component of convertible loan issued in period	–	–	–	–	–
Total transactions recognised directly in equity	5,968,705	375,425	–	98,025	6,442,155
Balance at 31 December 2013	**16,860,101**	**3,117,545**	**(10,598,122)**	**(713,650)**	**10,614,987**

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

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting policies

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

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

(a) Basis of preparation of the financial statements

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

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

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

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

Standards, interpretations and amendments became effective as of 1 January 2013:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans – Amendments to IFRS 1.
- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities -Amendments to IFRS 7.
- IFRS 13 Fair Value Measurement.
- IAS 19 Employee Benefits (Revised 2011).
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.
- Improvements to IFRSs – 2009-2011 Cycle:
  - IFRS 1 – Repeat application of IFRS 1.
  - IFRS 1 – Borrowing Costs.
  - IAS 1 – Clarification of the requirement for comparative information.
  - IAS 16 – Classification of servicing equipment.
  - IAS 32 – Tax effects of distributions to holders of equity instruments.
  - IAS 34 – Interim financial reporting and segment information for total assets and liabilities.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- IFRS 10 Consolidated Financial Statements introduces a single control model to determine whether an investee should be consolidated. As a result, the Group will need to review its consolidation conclusions in respect of its investees, however it is not expected that this will lead to changes in the current accounting. The standard is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

- IAS 27 Separate Financial Statements (2011) the amendments to this standard are consequential on the issue of IFRS 10 which replaces IAS 27 in part. The amendments are effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint Arrangements requires the classification of joint arrangements as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint operations will be accounted on the basis of the Group's interest in those assets and liabilities. Joint ventures will be equity accounted. The Group does not currently have any joint arrangements, but may do in the future. The standard is effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities brings together a single standard for the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements in comparison with existing disclosures. IFRS 12 requires disclosures of information about the nature, risks and financial effects of these interests. The standard is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- IAS 32 Financial Statements: Presentation, amendments relating to the guidance on the offsetting of financial assets and financial liabilities. The Directors do not anticipate that the amendments will have a significant impact on the Group. The standard is effective for annual periods beginning on or after 1 January 2014.
- IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions related to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The Directors believe that it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

(b) Basis of consolidation

The Consolidated Statement of Comprehensive Income and Statement of Financial Position include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2013 and present comparative information for the year ended 31 December 2012. Certain subsidiaries, as shown in note 15, have year ends which are not coterminous with that of the Company either as a result of their formation or acquisition during the year or where they are dormant. In each such case, the results, assets and liabilities for those companies have been included up to 31 December 2013, or the date of disposal if earlier, as appropriate.

A subsidiary is an entity controlled, directly or indirectly, by Porta Communications PLC. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain the benefits from its activities.

The Group's subsidiaries include Limited Liability Partnerships where the Group does not hold 100% of the partnership interests. In such instances, the classification of non-group interests between non-controlling interests and liabilities is determined based on an assessment of the member's rights and obligations under the relevant partnership agreement.

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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

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

(c) Business combinations

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

When the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss account or as a change to OCI. When contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(d) Going concern

On 21 February 2014, we announced that the Group raised £7 million (before expenses) by way of an oversubscribed placing of 53,846,153 new ordinary shares at a price of 13p per share. The funds were partially used to acquire the remaining 20% of Newgate Threadneedle and to repay the £2.4m of loans (including interest) obtained during 2013 from Retro Grand Limited. The funds will also be used by the Group to implement the next phase of growth by acquiring a number of public relations and advertising businesses in the UK.

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

(e) Foreign currency translation

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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

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

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

(f) Revenue and revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured.

Revenue represents the fees and commissions, net of discounts, derived from services provided to and invoiced to clients.

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

(g) Intangible assets

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

Goodwill has indefinite useful life and 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.

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

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

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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	4-5 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.

(h) Property, plant and equipment

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

Office improvements, fixtures and fittings	5 years, straight line (or length of lease, if shorter) Office furniture and equipment 5 years, straight line
IT equipment	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.

(i) Available for sale (AFS) investments

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

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

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

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

(j) Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the 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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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.

(k) Work-in-progress

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

(l) Investments

Fixed asset investments in subsidiaries are shown at cost less any provision for impairment.

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

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

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

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

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

(m) Trade receivables

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise current bank balances which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

(o) Leasing commitments

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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

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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease is added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(p) Finance costs

Finance costs, include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in the statement of comprehensive income in the year in which they are incurred using the effective interest rate method.

(q) Pensions and similar obligations

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

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

(r) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Share capital and share premium

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

(t) Taxation including deferred taxation

Tax on Company profits is provided for at the current rate applicable in each of the relevant territories. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax assets are recognised to the extent that the Group believes it is probable that future taxable profit will be available against which temporary timing differences and losses from previous periods can be utilised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

(u) Share based payments

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

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

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

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

(w) Critical accounting estimates and judgments

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

Business Combinations

The Group has recognised customer relationships and brands relating to acquisitions it has made (see note 10). The determination of estimated fair values of acquired intangible assets, as well as the expected useful life ascribed, requires the use of significant judgment. The Group has used the discounted cash flows and relief-from-royalty models in order to determine the fair value of acquired intangible assets.

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

Impairment of goodwill and intangible assets

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

Recoverability of investments and debts due from subsidiaries and related parties

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

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

2. Segmental reporting

Business segments

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

- Corporate Communications includes public relations, public affairs and other corporate communication services.
- Marketing and Advertising includes media buying, creative advertising, marketing and corporate branding services.
- Head office includes services provided by the Group's corporate function, including group treasury and finance and management services.

Inter-segment pricing is determined on an arm's length basis.

The Board considers the Group to have three reportable segments. Information regarding the results of each reportable segment is included below. The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in note 1.

Segment result represents operating profit, which is the measure reported to the chief operating decision maker. All assets and liabilities are allocated to reportable segments with the exception of tax and other centrally managed balances. Goodwill is allocated to segments as described in note 13.

31 December 2013 £	Communications	Marketing & Advertising	Head Office	Other/ Consol.	Reconciling items	**Total**
External revenue	7,817,772	16,615,990	7,528	–	–	**24,441,290**
Inter-segment revenue	474,122	121,923	448,299	(1,044,344)	–	**–**
Reportable segment revenue	8,291,894	16,737,913	455,827	(1,044,344)	–	**24,441,290**
Reportable segment result	272,399	(636,021)	(2,126,371)	–	–	**(2,489,993)**
Interest revenue	4,501	–	87,687	(91,131)	–	**1,057**
Interest expense	(66,734)	(97,576)	(473,014)	91,131	–	**(546,193)**
Depreciation and amortisation	(309,737)	(179,470)	(106,116)	–	–	**(595,323)**
Taxation (expense)/credit	70,553	(74,915)	596,397	–	–	**592,035**
Reportable segment assets	8,519,153	10,938,523	9,576,748	(6,009,924)	–	**23,024,500**
Capital expenditure	(138,240)	(19,313)	(38,020)	–	–	**(195,573)**
Reportable segment liabilities	(5,047,532)	(12,407,051)	(5,256,073)	6,009,924	–	**(16,700,732)**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

31 December 2012 £	Communications	Marketing & Advertising	Head Office	Other/ Consol.	Reconciling items[1]	Total
External revenue	3,538,566	4,237,693	–	806,025	(197,659)	8,384,625
Inter-segment revenue	158,225	5,565	–	(163,790)	–	–
Reportable segment revenue	3,696,791	4,243,258	–	642,235	(197,659)	8,384,625
Reportable segment result	(739,012)	(592,019)	(3,120,953)	(402,336)	402,336	(4,451,984)
Interest revenue	1,653	–	21,534	(21,534)	–	1,653
Interest expense	(19,612)	(30,427)	(146,703)	21,534	–	(175,208)
Depreciation and amortisation	(244,907)	(74,064)	(49,891)	–	–	(368,862)
Taxation (expense)/credit	(15,405)	48,815	162,762	–	–	196,172
Reportable segment assets	5,601,005	6,060,624	881,282	556,642	–	13,099,553
Capital expenditure	(18,813)	(14,889)	(147,989)	(281)	–	(181,972)
Reportable segment liabilities	(1,552,092)	(3,958,749)	(4,517,438)	(545,625)	–	(10,573,904)

1. Reconciling amounts relate to discontinued operations. No discontinued operations formed part of a reportable segment and therefore are presented within Other/Consol. in the table above.

Geographical segments

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

Year ended 31 December 2013	UK £	Europe £	Asia- Pacific £	Total £
Revenue	21,269,343	671,553	2,500,394	24,441,290
Profit/(Loss) on continuing operations before tax	(3,238,002)	(124,096)	127,714	(3,062,026)
Loss on discontinued operations before tax	–	(7,205)	–	(7,205)

Year ended 31 December 2012	UK £	Europe £	Asia- Pacific £	Total £
Revenue	8,338,113	46,512	–	8,384,625
Loss on continuing operations before tax	(4,553,953)	(73,579)	–	(4,627,532)
Loss on discontinued operations before tax	(354,517)	(131,287)	–	(485,804)

Geographical split of the customer based revenue is presented below:

Customer based Revenue	**2013**	2012
United Kingdom	**71%**	80%
Australia	**11%**	0%
USA	**12%**	8%
Europe	**4%**	6%
Other	**2%**	6%

Sales made to two customers, a UK financial institution and UK advertising agency each accounted for more than 10% of the group revenue at £2,784,937 and £2,713,902 respectively.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Year ended 31 December 2013	UK £	Europe £	Asia-Pacific £	Total £
Non-current assets	10,242,433	2,368	85,286	**10,330,087**
Current assets	11,388,306	51,954	1,254,153	**12,694,413**
Current liabilities	(12,279,029)	(49,164)	(455,881)	**(12,784,075)**
Long term liabilities	(3,003,739)	(221,356)	(691,561)	**(3,916,656)**
	6,347,971	(216,198)	191,997	**6,323,769**

Year ended 31 December 2012	UK £	Europe £	Intercompany* £	Total £
Non-current assets	8,986,293	3,978	(104,123)	**8,886,148**
Current assets	4,374,636	63,517	(224,748)	**4,213,405**
Current liabilities	(9,083,954)	(269,336)	224,748	**(9,128,542)**
Long term liabilities	(1,445,362)	(104,123)	104,123	**(1,445,362)**
	2,831,613	(305,964)	–	**2,525,649**

*Asia-Pacific geographical segment was not applicable in 2012, Intercompany column represented adjustment in respect of discontinued operations of subsidiaries.

3. Expenses – analysis by nature

The operating loss on continuing activities is stated after charging:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Employment costs (see note 4)	**9,221,085**	4,783,537
Auditor's remuneration		
Fees payable to the Company's auditors for the audit of the Group's consolidated financial statements	**64,210**	47,248
Fees payable to the Company's auditors and their associates for other services to the Group:		
– The audit of the Company's subsidiaries pursuant to legislation	**35,500**	61,000
– Tax services	**–**	43,700
– Other services	**1,050**	25,000
Legal and other professional consultancy costs	**485,859**	1,676,167
Depreciation and amortisation – of acquired intangible assets	**399,613**	287,279
Depreciation and amortisation – of other fixed and intangible assets	**195,710**	81,583
Costs paid in respect of Cauldron acquisition (see note 10)	**18,829**	–
Costs paid in respect of the acquisition of Summit Marketing Services Limited (see note 10)	**16,088**	–
Costs paid in respect of the acquisition of the investment in associate (see note 10.2)	**24,090**	–
Costs paid in respect of the acquisition of acquisition of Project 13 (see note 10)	**5,062**	–
Cost paid in respect of acquisitions during 2012	**–**	197,165

The amount shown for fees payable to the Company's auditors for the audit of the Group's consolidated financial statements includes £17,500 (2012: £17,500) in respect of the Company's own audit.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

4. Employment benefit expense

Employment costs and staff numbers

Employment and guaranteed partner drawings costs relating to continuing activities during the year were as follows:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Continuing operations:		
Wages, salaries, guaranteed drawings and non-executive fees	**8,091,766**	4,103,338
Pension costs	**340,282**	217,330
Share-based payments	**99,678**	69,987
Social security costs	**516,829**	317,070
Other employment related welfare costs	**172,530**	75,812
Charged to comprehensive income for continuing operations	**9,221,085**	4,783,537

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Discontinued operations:		
Wages and salaries	**–**	301,509
Pension costs	**–**	8,768
Share-based payments	**–**	–
Social security costs	**–**	52,116
Other employment related welfare costs	**–**	4,302
Charged to comprehensive income for discontinued operations	**–**	366,695

Partners' drawings have been included in the above analysis whereby partners in Limited Liability Partnerships of the Group are entitled to receive guaranteed drawings in exchange for providing their services to the Group.

Employment costs include amounts paid to Directors' service companies as detailed in note 24.

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

	Year ended 31 December 2013 £ Number	Year ended 31 December 2012 £ Number
Sales	**80**	52
Management	**23**	12
Administration	**18**	14
	121	78

Directors' remuneration

The remuneration of the Directors for the year amounted to £422,962 (2012: £318,681). The remuneration of the highest paid Director was £138,331 (2012: £132,000). In addition to these amounts, £76,503 (2012: £41,224) was charged to the Statement of Comprehensive Income in relation to share options granted to Executive Directors during the period. Refer to note 20 for further details of share-based payments.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Further details of Directors' remuneration are set out in the Report of the Remuneration Committee on page 21 which is incorporated into these notes by way of reference.

Retirement benefits

Porta Communications PLC provides for retirement benefits for Executive Directors and certain employees through contributions to a defined contribution plan.

5. Finance income and finance costs

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Finance costs		
Interest on financial liabilities measured at amortised cost	**530,953**	1,993
Net foreign exchange loss	**15,240**	175,208
	546,193	177,201

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Finance income		
Interest income on bank deposits	**1,057**	1,653

6. Income tax

Group

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Continuing activities:		
UK: Current tax charge	**(69,567)**	(18,201)
Deferred tax credit	**684,790**	214,373
Total UK Tax credit	**615,223**	196,172
Overseas: Current tax charge	**(23,188)**	–
Deferred tax charge	–	–
Total overseas tax charge	**(23,188)**	–
Total income tax credit for the year	**592,035**	196,172

The total tax credit for the year on all activities is as follows:

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Tax credit on continuing activities (see above)	**592,035**	196,172
Tax credit of discontinued activities	**–**	5,047

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 23.25% (2012: 24.5%) for the reasons set out in the following table:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Loss before taxation on continuing activities	**(3,062,026)**	(4,627,532)
Income tax credit computed at the statutory tax rate on loss before taxation on all activities	**711,921**	1,133,745
Adjustments in respect of current income tax of prior periods	**–**	(18,201)
Expenses not deductible for tax purposes	**(898,857)**	(438,107)
Overseas profits taxed at differing rates	**(8,624)**	6,254
Unrecognised tax losses brought forward now utilised	**795,780**	23,726
Tax losses not relieved not recognised	**(28,852)**	(570,231)
Change in recognised temporary differences	**22,085**	58,986
Change in tax rate in respect deferred taxation	**(1,418)**	–
Total tax credit for the year	**592,035**	196,172

Unrecognised deferred tax assets

The Group has tax losses of approximately £2,500,000 (2012: £5,200,000) available to be utilised against future taxable profits in the relevant companies in their countries of operation.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2013	Assets £	Liabilities £	Net £
Intangible assets	–	(361,871)	(361,871)
Fixed assets	(48,804)	(9,613)	(58,417)
Trade and other payables	72,106	(19,900)	52,206
Tax loss carry-forward	1,068,440	–	1,068,440
Net tax assets	1,091,742	(391,384)	700,358

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

31 December 2013	Balance at 1 January 2013 £	Recognised in profit or loss £	Translation differences £	Acquired in business combinations (see note 10) £	Balance at 31 December 2013 £
Intangible assets	(406,425)	88,721	–	(44,167)	**(361,871)**
Fixed assets	(20,292)	(38,125)	–	–	**(58,417)**
Trade and other payables	41,930	10,276	2,804	–	**52,206**
Tax loss carry-forward	441,717	626,723	–	–	**1,068,440**
	56,930	684,790	2,804	(44,167)	**700,358**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

31 December 2012	Assets £	Liabilities £	Net £
Intangible assets	758	(407,183)	(406,425)
Fixed assets	(16,904)	(3,388)	(20,292)
Trade and other payables	45,523	(3,593)	41,930
Tax loss carry-forward	441,717	–	441,717
Net tax assets	471,094	(414,164)	56,930

31 December 2012	Balance at 1 January 2013 £	Recognised in profit or loss £	Acquired in business combinations (see note 10) £	Balance at 31 December 2013 £
Intangible assets	(264,703)	130,678	(272,400)	(406,425)
Fixed assets	(11,842)	(8,450)	–	(20,292)
Trade and other payables	–	(7,140)	49,067	41,930
Tax loss carry-forward	142,432	99,285	200,000	441,717
	(134,113)	214,373	425,614	56,930

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2013	Assets £	Liabilities £	Net £
Intangible assets	–	–	–
Tangible assets	–	(7,337)	(7,337)
Trade and other payables	7,223	–	7,223
Tax loss carry-forwards	881,984	–	881,984
Net tax assets	889,207	(7,337)	881,870

31 December 2012	Assets £	Liabilities £	Net £
Intangible assets	(16,915)	–	(16,915)
Tangible assets	758	–	758
Trade and other payables	–	(3,593)	(3,593)
Tax loss carry-forwards	241,717	–	241,717
Net tax assets	225,560	(3,593)	221,967

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

7. Financial Risk Management

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

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Available for sale investments – at fair value ('FV') through OCI:			
Quoted equity shares		**1,000**	–
Financial assets at FV through profit or loss:			
Work in progress		**2,320,205**	186,694
Trade receivables	16	**5,803,297**	1,818,236
Other debtors	16	**2,026,109**	1,404,598
Cash and cash equivalents		**2,544,802**	777,870
		12,694,413	4,187,398
Financial liabilities – held at amortised cost			
Trade payables	17	**(4,077,707)**	(2,401,303)
Bank overdraft	17	**(1,211,051)**	–
Other liabilities	17	**(4,530,845)**	(3,292,462)
Loans and borrowings	21	**(5,685,166)**	(4,054,707)
Finance lease	22	**(19,237)**	–
Financial liabilities – held at FV through Profit & Loss			
Contingent consideration	18	**(636,029)**	(381,198)
		(16,160,035)	(10,129,670)

The Management have assessed that cash and short term deposits, trade receivables, trade payables and bank overdrafts and other current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, etc. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Fair value of the quoted instruments is based on price quotation at the reporting date. During 2013, as a settlement of the trade receivable balance, the Group received 2,500,000 ordinary shares of 0.01p quoted on London Stock Exchange with the fair value of £1,000. The value of quoted shares at 31 December 2013 has not materially differed from the original cost and hence no OCI movement was recognised.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Financial risk management

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's two most significant debtors, a UK technology firm and UK retailer, account for £1,207,759 (21%) and £651,707 (11%) respectively, of the trade and other receivables balance at 31 December 2013. At 31 December 2012 there were three customers who individually represented more than 5% of the trade and other receivables balance.

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

Liquidity risk

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

The Group financed its operations during the year from reserves (see Statement of Changes in Shareholder Equity) and from additional equity raised (see note 19), and new loan and convertible loan facilities (see note 21). Operating companies' cash requirements are monitored on a rolling working capital forecast basis and funded, where necessary, from Group funds. Since the year end the Group has raised further funding in the form of placing of new ordinary shares. Further details of these are given in note 25.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Market risk

(a) Currency exchange risk

The Group's subsidiaries operate in Belgium, Germany and Australia and revenues and expenses are denominated in Euro (EUR) and Australian Dollar (AUD). The Group's Sterling (GBP) statement of financial position is not protected from movements in the exchange rate between these currencies and Sterling. The overall exposure to foreign currency risk is considered by management to be low.

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

	EUR			AUD		
	Changes in EUR rate £	Effect on profit before tax £	Effect on equity £	Changes in AUD rate £	Effect on profit before tax £	Effect on equity £
2013	+5%	(6,205)	(10,810)	+5%	4,124	(9,600)
	–5%	6,205	10,810	–5%	(4,124)	9,600
2012	+5%	(3,679)	(8,112)	n/a		
	–5%	3,679	8,112			

(b) Interest rate risk

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

Cash and cash equivalents: interest rate exposure	**Year ended 31 December 2013 £**	Year ended 31 December 2012 £
Floating rate	**(23,711)**	–
Non-interest bearing	**2,568,513**	777,870
	2,544,802	777,870

At 31 December 2013, there was no interest rate exposure relating to financial assets (2012: Nil).

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

Loans and Borrowings	**Year ended 31 December 2013 £**	Year ended 31 December 2012 £
Fixed rate convertible loans	**–**	(492,890)
Fixed rate loans and borrowings	**(5,054,403)**	(2,911,817)
Variable rate loans	**(650,000)**	(650,000)
	(5,704,403)	(4,054,707)

All fixed-rate interest bearing loans and borrowings excluding finance lease are subject to interest at 12% per annum. Details relating to finance lease arrangements are disclosed in note 22. Variable rate loans are subject to interest at 2.75% above the Bank of England Official Bank Rate.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Sensitivity Analysis

Loss for the year would have increased or decreased by up to £6,500 (2012: £2,167) if the Bank of England Official Bank Rate had moved by 100 basis points during the period. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the end of the period would not affect profit or loss or equity.

Maturity profile of financial liabilities

Loans and Borrowings	**Year ended 31 December 2013 £**	Year ended 31 December 2012 £
Due in six months or less	**10,181,127**	6,704,676
Due between six months and 1 year	**3,614,620**	2,393,796
Due between 1 year and 2 years	**129,606**	381,198
Due between 2 and 5 years	**2,234,682**	650,000
	16,160,035	10,129,680

8. Capital risk management

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure and in order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

9. Discontinued operations

On 1 December 2012 the Board committed to a plan to dispose of the Company's investment in Impact34 Reklam ve Organizasyon Denişmanlik Hizmetleri Limited. The results of this discontinued operation for the year ended 31 December 2012 and all related losses and/or provisions have been fully disclosed in Note 9 of 2012 Financial Statements. The £7,205 loss on discontinued operations recognised within Other Comprehensive Income represents the foreign exchange movement from 31 December 2012 until the sale was completed on 14 January 2013 for a nominal amount. The assets and liabilities related to Impact34 Reklam ve Organizasyon Denişmanlik Hizmetleri Limited were presented as held for sale in the Consolidated Statement of Financial Position at 31 December 2012.

There were no other discontinued operations during the year.

10.1 Acquisition of subsidiaries and non-controlling interests

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 loan notes and £100,000 of contingent consideration subject to future performance conditions. Subsequently during the year, the Group has agreed to pay an additional £40,000 of the cash consideration.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The transferred Cauldron staff and client base has been incorporated within the marketing and advertising segment of the business. The following table shows the result of the acquired business since acquisition:

	10 Months period ended 31 December 2013 £
Revenue	170,471
Cost of sales	(820)
Gross Profit	169,651
Operating and administrative expenses	(139,678)
Operating profit	29,973
Finance income	1,190
Profit before taxation	31,163
Income tax	–
Profit for the period	31,163
Total comprehensive income for the period	31,163

100% of total comprehensive income for the period is attributed to the equity shareholder.

If the acquisition had occurred on 1 January 2013, management estimates that the Group's consolidated revenue would have been approximately £65,000 higher and the loss on continuing activities before taxation would have reduced by £21,804. In determining these amounts, it has been assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2013.

The cash flows of the acquired business since acquisition were as follows:

	10 Months period ended 31 December 2013 £
Net cash from operating activities	(61,899)
Net cash from investing activities	–
Net cash from financing activities	–
Decrease in cash and cash equivalents	(61,899)
Cash and cash equivalents on acquisition	87,022
Cash and cash equivalents at the end of the year	25,123

The values of goodwill and other assets and liabilities relating to the acquisition of Cauldron Consulting Limited incorporated into these financial statements, using the acquisition method of accounting, are as follows:

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

	Book value on acquisition £	Fair value adjustments £	Fair value £
Goodwill	–	138,228	138,228
Brands and customer relationships	–	185,000	185,000
Tangible fixed assets	1,947	–	1,947
Trade and other receivables	18,930	–	18,930
Cash and cash equivalents	87,021	–	87,021
Total assets	107,898	323,228	431,126
Trade and other payables	(48,186)	–	(48,186)
Deferred tax liabilities	(390)	(42,550)	(42,940)
Total liabilities	(48,576)	(42,550)	(91,126)
Net value	**59,322**	**280,678**	**340,000**
Less: attributable to non-controlling equity interests	–	–	–
Net value attributable to Group equity shareholders	**59,322**	**280,678**	**340,000**

The following table summarises the fair value on acquisition date of each major class of consideration transferred:

	£
Loan notes (repaid in May 2013)	**200,000**
Cash paid	**40,000**
Contingent consideration (settled in December 2013)	**100,000**
	340,000

The fair value adjustments relate to the valuation of customer relationships and trade names held by Cauldron Consulting Limited. The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the acquired businesses and the synergies expected to be achieved from the integration of the acquired businesses into the Group's existing and projected business.

Acquisition of Summit Marketing Services Limited

On 1 June 2013, the Group through its wholly owned subsidiary Newgate Media Holdings Limited, acquired 100% of the share capital and certain assets, including key staff and contracts, of Summit Marketing Services Limited ('Summit'), a marketing and advertising agency domiciled in the UK. Subsequent to the acquisition, the ownership of Summit has been transferred to Twenty20 Media Group for nominal value.

The initial consideration was satisfied by a cash settlement of £232,153 paid on completion. Deferred consideration of up to £450,000 is payable based on the financial performance of Summit over the first two financial years ended 30 April 2014 and 30 April 2015.

The total consideration has a maximum limit of £682,153 and is dependent on Summit's subsequent financial performance. Following detail assessment of the Summits' completion financial information (including future forecasts and the cash flows), the Group does not expect the overall fair value of the consideration (including deferred element) to exceed £486,984 based on current financial projections and allowing for reasonable profit growth.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The following table shows the result of the acquired business since acquisition:

	7 Month period ended 31 December 2013 £
Revenue	**254,507**
Cost of sales	**(35,248)**
Gross Profit	**219,259**
Operating and administrative expenses	**(166,134)**
Operating profit	**53,125**
Finance income	**–**
Finance expense	**–**
Profit before taxation	**53,125**
Income tax	**–**
Profit for the period	**53,125**
Total comprehensive income for the period	**53,125**

Attributed to:	Profit for the period £	Total comprehensive income £
Equity shareholders	**47,812**	47,812
Non-controlling interests*	**5,313**	5,313
	53,125	53,125

If the acquisition had occurred on 1 January 2013, management estimates that the Group's consolidated revenue would have been approximately £131,236 higher and the loss on continuing activities before taxation would have reduced by £29,486. In determining these amounts, it has been assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2013.

The cash flows of the acquired business since acquisition were as follows:

	7 Month period ended 31 December 2013 £
Net cash from operating activities	**23,392**
Net cash from investing activities	**–**
Net cash from financing activities	**–**
Increase in cash and cash equivalents	**23,392**
Cash and cash equivalents on acquisition	**50,079**
Cash and cash equivalents at the end of the year	**73,471**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The fair value of net assets acquired was deemed to be equal to their book value. The values of goodwill and other assets and liabilities relating to the acquisition of Summit incorporated into these financial statements, using the acquisition method of accounting, are as follows:

	Book value on acquisition £	Fair value adjustments £	Fair value £
Goodwill	–	346,858	346,858
Brands and customer relationships	–	–	–
Tangible fixed assets	7,974	–	7,974
Trade and other receivables	122,564	–	122,564
Cash and cash equivalents	73,471	–	73,471
Total assets	204,009	346,858	550,867
Trade and other payables	(62,656)	–	(62,656)
Deferred tax liabilities	(1,227)	–	(1,227)
Total liabilities	(68,5883)	–	(68,5883)
Net value	**140,126**	**346,858**	**486,984**
Less: attributable to non-controlling equity interests	–	–	–
Net value attributable to Group equity shareholders	**140,126**	**346,858**	**486,984**

The following table summarises the fair value on acquisition date of each major class of consideration transferred:

	£
Cash paid	**232,153**
Deferred consideration	**254,831**
Total fair value of consideration	**486,984**

The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the acquired businesses and the synergies expected to be achieved from the integration of the acquired businesses into the Group's existing and projected business. The fair value adjustments are provisional and may be subject to adjustment in the following financial year.

Acquisition of Project 13 Communications Limited

On 1 November 2013, the Group announced increase in holding of Project 13 Communications Limited ('Thirteen') from 30% to controlling 51% by the payment of £350,000 satisfied by the issue of 2,692,000 ordinary shares of 10p each in the Group at a price of 13p per share.

Thirteen has been set up to offer a broad range of consultancy services rooted in consumer and corporate public relations. Thirteen has been formed by Andrew Baiden, previously Managing Director of the Red Consultancy which was acquired by Citigate/Incepta in 2001.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The following table shows the result of the acquired business since acquisition:

	2 Month period ended 31 December 2013 £
Revenue	56,935
Cost of sales	(7,955)
Gross Profit	48,980
Operating and administrative expenses	(105,981)
Operating loss	(57,001)
Finance expense	(334)
Loss before taxation	(57,335)
Taxation	(1,675)
Loss for the period	(59,010)
Total comprehensive income for the period	(59,010)

Attributed to:	Loss for the period £	Total comprehensive income £
Equity shareholders	(30,095)	(30,095)
Non-controlling interests*	(28,915)	(28,915)
	(59,010)	(59,010)

Since Thirteen is an early stage start up, it would make no impact should the acquisition have taken place at an earlier date in the year. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the acquired businesses and the synergies expected to be achieved from the integration of the acquired businesses into the Group's existing and projected business.

Post balance-sheet date acquisitions of subsidiaries

WSM Communications Group Limited

On 28 March 2014, the Group announced the acquisition the entire issued share capital of two businesses from WSM Communications Group Limited ("WSM"). The deal was financed by the issue of 7,500,000 ordinary shares of 10p each in Porta at a price of 14.075p per share (the "Consideration Shares"), with 5,723,802 of the Consideration Shares subject to a 12 month lock-in agreement and a further 12 month orderly market agreement. The remainder of the Consideration Shares are subject to a three month orderly market agreement.

The two businesses incorporate a digital team of 12 specialists and seven print management and design specialists, providing between them full studio design and art-working capabilities and a full digital design and production unit, servicing a range of blue-chip clients. The business units generated approximately £1.3m of fee income and a small profit in aggregate in the 11 month period to February 2014.

The Company is yet to finalise its provisional acquisition accounting for this acquisition.

Redleaf Polhill Limited

On 23 April 2014, the Group announced the acquisition of 51% of the issued share capital of Redleaf Polhill Limited ('Redleaf'), a leading full service communications agency from its shareholders (Emma Kane, Ian Rosenblatt and Julian Polhill), with an option to acquire the remaining 49% over the following three full financial years. The acquisition is expected to be earnings accretive within its first full year. Redleaf, which is based in the City of London, will become part of the Group's Communications division but will continue to be run as an independent agency by its existing team and will retain the Redleaf brand.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Under the terms of the acquisition, the Company has acquired 51% of the issued share capital of Redleaf for £1,795,000 ('Initial Acquisition'), satisfied as to £897,500 in cash and the balance through the issue of 6,998,050 ordinary shares of 10p each in Porta (the 'Consideration Shares') of which 1,760,010 will be issued following payment of certain sums under the Acquisition Agreement. The Consideration Shares are subject to a lock-in agreement which provides for a 24 month lock-in period and a further 12 month orderly market period. The Acquisition also involves the grant of put and call options relating to the purchase by Porta of the remaining 49% of the issued shares in Redleaf which are exercisable in three tranches following the end of each of the next three full financial years of Redleaf on similar terms to the Initial Acquisition. Any additional consideration payable under the put and call options will be satisfied 50% in cash and 50% in ordinary shares.

The Company is yet to finalise its provisional acquisition accounting for this acquisition.

10.2 Acquisition of interest in associates

On 9 May 2013 the Group, through its 90% owned subsidiary, Twenty Twenty Media Vision Limited, acquired 25.1% stake in Team Darwin Limited, a community powered creative business with a "call option" to purchase up to 40% of the share capital after 1 May 2015. The total consideration of £153,620 was paid in cash as of 31 December 2013.

On accordance with IAS 28 'Investment in associate and joint ventures' the Group's 25.1% interest in Team Darwin is accounted for using the equity method in the consolidated financial statements.

The following table summarises the financial information of the Group's investment in team Darwin as at year end:

	31 December 2013 £
Revenue	59,756
Cost of sales	(59,359)
Administration expenses	(107,561)
Loss for the period	**(107,164)**
Proportion of the Group ownership (25.1%)	**(26,898)**

	£
Carrying value of the investment at 9 May 2013	**153,620**
Share of losses in associate during 2013	(26,898)
Carrying value of the investment at 31 December 2013	**126,722**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

11. 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, being the loss after tax, used in these calculations are as follows:

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Weighted average number of shares (ordinary and dilutive)	**139,196,362**	83,723,938

	£	£
Loss on continuing activities after tax	**(2,719,001)**	(4,489,807)
(Loss)/profit on discontinued activities after tax	**(7,205)**	(553,246)
Loss on continuing and discontinued activities after tax	**(2,726,206)**	(5,043,053)

No share options or warrants outstanding at 31 December 2013 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.

12. Profit accounted for in the parent company

As permitted under Section 408 of the Companies Act 2006, the Statement of Comprehensive Income for the Company is not presented as part of these financial statements. The Company's loss for the year, after tax, was £1,949,113 (2012: £3,356,075).

13. Intangible assets

Group

Cost	Goodwill £	Customer relationships £	Brands £	Websites, software and licences £	Total £
At 1 January 2012	3,349,880	650,000	367,000	19,581	4,386,461
Additions in year – acquired with subsidiary	2,724,602	540,000	345,000	–	3,609,602
Other additions in year	200,487	250,000	–	43,810	494,297
At 31 December 2012	**6,274,969**	**1,440,000**	**712,000**	**63,391**	**8,490,360**
Additions in year – acquired with subsidiary	835,085	150,000	35,000	–	**1,020,085**
Other additions in the year	–	–	–	77,627	**77,627**
Translation differences	–	–	–	4	**4**
At 31 December 2013	**7,110,054**	**1,590,000**	**747,000**	**141,022**	**9,588,076**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Amortisation	£	£	£	£	£
At 1 January 2012	–	43,333	12,233	1,806	57,372
Charge for the year	–	233,329	53,950	17,415	304,694
At 31 December 2012	**–**	**276,662**	**66,183**	**19,221**	**362,066**
Charge for the year	–	325,496	74,117	38,929	438,542
At 31 December 2013	**–**	**602,158**	**140,300**	**58,152**	**800,610**
Net book value	£	£	£	£	£
At 1 January 2012	3,349,880	606,667	354,767	17,775	4,329,089
At 31 December 2012	6,274,969	1,163,338	645,817	44,170	8,128,294
At 31 December 2013	**7,110,054**	**987,842**	**606,700**	**82,870**	**8,787,466**

The average remaining amortisation period for indefinite life intangible assets recognised at 31 December 2013 is approximately eight years for brands and three years for customer relationships.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, the aggregate carrying amount of goodwill is allocated to each cash-generating unit (CGU) as follows.

Cost	Newgate Threadneedle (Communications segment) £	Twenty20 Media Group (Marketing & Advertising segment) £	Other units* £	Total £
31 December 2013	**3,545,117**	**3,071,460**	**493,477**	**7,110,054**
31 December 2012	3,545,117	2,724,602	5,250	6,274,969

*Other comprise of Cauldron Consulting Limited, Thirteen Communications Limited and Crazy Horse Integrated LLP. Details of acquisitions which have occurred during the period are disclosed in detail in note 10.

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

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates, and forecast EBITDA. The EBITDA forecasts are based on 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. For all cash-generating units the resulting cash flows have been discounted using a pre-tax weighted average cost of capital of 14.8% (2012: 14.5%) and a terminal growth rate of 2.5% has been applied in perpetuity. The discount rate was based on the risk-free rate obtained from UK Government Gilts, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk specific to the Group.

The results of the impairment testing indicated that there is no impairment for any of the Group's cash-generating units.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Company

Cost	Websites, software and licences £	Total £
At 1 January 2012	7,390	7,390
Additions in the year	34,134	34,134
At 31 December 2012	**41,524**	**41,524**
Additions in the year	29,157	29,157
At 31 December 2013	**70,681**	**70,681**
Amortisation	**£**	£
At 1 January 2012	427	427
Charge for the year	6,611	6,611
At 31 December 2012	**7,038**	**7,038**
Charge for the year	23,055	23,055
At 31 December 2013	**30,093**	**30,093**
Net book value	**£**	£
At 1 January 2012	6,963	6,963
At 31 December 2012	34,486	34,486
At 31 December 2013	**40,588**	**40,588**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

14. Fixed assets

Group

Cost	Office improve-ments £	Office fittings and equipment £	Computer equipment £	Motor vehicles* £	Total £
At 1 January 2012	10,450	27,097	67,550	–	105,097
Additions in year – acquired with subsidiary	44,405	26,864	29,670	–	100,939
Other additions in year	98,750	37,242	45,980	–	181,972
Disposals in year	(11,549)	(5,965)	(3,124)	–	(20,638)
Transferred to disposal group held for sale	–	(3,320)	(6,418)	–	(9,738)
Translation differences	–	99	227	–	326
At 31 December 2012	**142,056**	**82,017**	**133,885**	**–**	**357,958**
Additions in year – acquired with subsidiary	–	–	9,921	–	**9,921**
Other additions in the year	65,250	30,656	75,667	24,000	**195,573**
Disposals in year	–	–	–	–	**–**
Translation differences	(7,859)	(3,045)	(3,845)	–	**(14,749)**
At 31 December 2013	**199,447**	**109,628**	**215,628**	**24,000**	**548,703**

Depreciation	£	£	£	£	£
At 1 January 2012	1,260	2,027	6,302	–	9,589
Charge for the year	19,834	13,621	41,224	–	74,679
Eliminated on Disposal	(5,714)	(2,154)	(1,051)	–	(8,919)
Transferred to disposal group held for sale	–	(1,383)	(2,828)	–	(4,211)
Translation differences	–	16	44	–	60
At 31 December 2012	**15,380**	**12,127**	**43,691**	**–**	**71,198**
Charge for the year	66,003	28,810	61,168	800	**156,781**
Eliminated on disposal	–	–	–	–	**–**
Transferred to disposal group held for sale	–	–	–	–	**–**
Translation differences	(1,355)	(525)	(553)	–	**(2,434)**
At 31 December 2013	**80,028**	**40,412**	**104,306**	**800**	**225,545**

Net book value	£	£	£	£	£
At 1 January 2012	9,190	25,070	61,248	–	95,508
At 31 December 2012	126,676	69,890	90,194	–	286,760
At 31 December 2013	**119,419**	**69,216**	**111,322**	**23,200**	**323,157**

*The motor vehicle acquired though four year finance lease agreement (Note 22).

See note 10 for further details relating to the acquisitions made during the year.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Company

Cost	Office improve-ments £	Office fittings and equipment £	Computer equipment £	Motor vehicles* £	Total £
At 1 January 2012	10,450	14,666	43,153	–	68,269
Additions in year	93,046	35,506	19,438	–	147,990
Disposals in year	(10,450)	–	–	–	(10,450)
At 31 December 2012	**93,046**	**50,172**	**62,591**	**–**	**205,809**
Additions in year	–	4,167	10,245	24,000	**38,412**
Disposals in year	–	–	–	–	**–**
At 31 December 2013	**93,046**	**54,339**	**72,836**	**24,000**	**244,221**
Depreciation	£	£	£	£	£
At 1 January 2012	1,260	477	2,655	–	4,392
Charge for the year	17,345	5,976	19,959	–	43,280
Eliminated on disposal	(5,714)	–	–	–	(5,714)
At 31 December 2012	**12,891**	**6,453**	**22,614**	**–**	**41,958**
Charge for the year	46,523	12,892	22,847	800	**83,062**
Eliminated on disposal	–	–	–	–	**–**
At 31 December 2013	**59,414**	**19,345**	**45,461**	**800**	**125,020**
Net book value	£	£	£	£	£
At 1 January 2012	9,190	14,189	40,498	–	63,877
At 31 December 2012	80,155	43,719	39,977	–	163,851
At 31 December 2013	**33,632**	**34,994**	**27,375**	**23,200**	**119,201**

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

15. Investment in subsidiaries – Company

Cost and net book value	31 December 2013 £
At 1 January 2012	3,993,297
Disposed of during the year	(100,051)
Acquired during the year	1,388,253
Transferred to another group company	(1,383,002)
Share based payments to subsidiary company employees	27,835
Impairment	(93,242)
At 31 December 2012	**3,833,090**
Disposed of during the year	–
Acquired during the year	**492,554**
Transferred to another group company	–
Share based payments to subsidiary employees (Note 20)	**22,304**
Impairment	–
Exchange differences	**(15,771)**
At 31 December 2013	**4,332,177**

Additions in the period comprised of £350,000 investment in Project 13 Communications Limited (Note 10) and equivalent of £146,554 of net investment in Newgate Australia Pty Limited (start-up business in 2013) which was made in Australian Dollars, the local currency of subsidiary.

At 31 December 2013, the Company held the following interests in subsidiaries, all of which are incorporated in England and Wales, unless otherwise stated:

Name	Year end	Share capital held	Percentage held	Principal activity during year
21:12 Direct LLP (previously Crazy Horse Integrated LLP)	31-Dec	Corporate Partner	70%	Direct Response Marketing
Cauldron Consulting Limited	31-Dec	Ordinary	100%	Media relations and marketing intelligence
Newgate Australia Pty Limited (incorporated in Australia)	31-Dec	Ordinary	51%	Public Relations consultancy
Newgate Brussels SPRL (incorporated in Belgium)	31-Dec	Ordinary *	100%	Public Relations consultancy
Newgate Communications LLP	31-Dec	Corporate Partner*	51%	Public Relations & Public Affairs consultancy
Newgate Media Holdings Limited	31-Dec	Ordinary	100%	Intermediate holding company
Newgate PR Holdings Limited	31-Dec	Ordinary	100%	Intermediate holding company
Newgate Public Affairs Limited	31-Dec	Ordinary *	100%	Public Affairs consultancy
Newgate Public Relations Limited	31-Dec	Ordinary *	100%	Public Relations consultancy
Newgate Threadneedle Limited	31-Dec	Ordinary	80%	Public Relations consultancy
Newgate Comms LLP	31-Dec	Corporate Partner	51%	Public Relations consultancy
Summit Marketing Services Limited	31-Dec	Ordinary*	90%	Media buying
Twenty20 Media Group Limited	31-Dec	Ordinary*	90%	Media buying

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Name	Year end	Share capital held	Percentage held	Principal activity during year
TwentyOne Twelve Communications LLP	31-Dec	Corporate Partner*	60%	Marketing and Advertising consultancy
Project 13 Communications Limited	31-Dec	Ordinary	51%	Public Relations consultancy
WFCA Integrated Limited	31-Dec	Ordinary*	90%	Media buying
Williams Blake Reay Limited	31-Dec	Ordinary*	90%	Media buying
21 Twelve Marketing Limited	31-Dec	Ordinary	100%	Dormant – dissolved in 2014
BComp 416 Limited	31-Dec	Ordinary	100%	Dormant – dissolved in 2014
Crazy Horse Integrated Limited (previously Threadneedle Communications Limited)	31-Dec	Ordinary*	100%	Dormant
Impact 34 Limited	31-Dec	Ordinary	100%	Dormant (previously Sports marketing) – dissolved in 2014
Investor Communications International Services Limited	31-Mar	Ordinary*	80%	Dormant (previously Public Relations consultancy) – dissolved in 2014
Newgate Comms Limited (previously Newgate Communications Limited)	31-Dec	Ordinary*	100%	Dormant
Newgate Communications Germany GmbH (incorporated in Germany)	31-Dec	Ordinary*	100%	Dormant
Newgate Digital Limited	31-Dec	Ordinary	100%	Dormant – dissolved in 2014
Newgate Investor Relations LLP	31-Dec	Corporate Partner	51%	Dormant – dissolved in 2014
Project Thirteen Communications LLP	31-Dec	Corporate Partner	51%	Dormant – dissolved in 2014
Springall Gbr (incorporated in Germany)	31-Dec	Ordinary*	100%	Dormant
Velvet Consultancy Limited (previously Wilton International Consulting Limited)	31-Dec	Ordinary	100%	Dormant

* Indirectly held through another group company

Audit exemptions:

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

21:12 Direct LLP
Cauldron Consulting Limited
Newgate Comms LLP
Newgate PR Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Newgate Media Holdings Limited
Project 13 Communications Limited
Twenty20 Media Group Limited
TwentyFour Seven Studios LLP
TwentyOne Twelve Communications LLP
Summit Marketing Services Limited
WFCA Integrated Limited
Williams Blake Reay Limited

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Preparation & filing exemptions:

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

Crazy Horse Integrated Limited
Velvet Consultancy Limited
21 Twelve Marketing Limited (dissolved in 2014)
BComp 416 Limited (dissolved in 2014)
Impact 34 Limited (dissolved in 2014)
Investor Communications International Services Limited (dissolved in 2014)
Newgate Digital Limited (dissolved in 2014)
Newgate Investor Relations LLP (dissolved in 2014)
Project Thirteen Communications LLP (dissolved in 2014)

Statutory guarantees:

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

21:12 Direct LLP
Cauldron Consulting Limited
Newgate Comms LLP
Newgate Media Holdings Limited
Newgate PR Holdings Limited
Newgate Public Affairs Limited
Newgate Public Relations Limited
Project 13 Communications Limited
Summit Marketing Services Limited
Twenty20 Media Group Limited
TwentyFour Seven Studios LLP
TwentyOne Twelve Communications LLP
WFCA Integrated Limited
Williams Blake Reay Limited

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

Bcomp 416 Limited (dissolved in 2014)
Crazy Horse Integrated Limited
Velvet Consultancy Limited
21 Twelve Marketing Limited (dissolved in 2014)
BComp 416 Limited (dissolved in 2014)
Impact 34 Limited (dissolved in 2014)
Investor Communications International Services Limited (dissolved in 2014)
Newgate Digital Limited (dissolved in 2014)
Newgate Investor Relations LLP (dissolved in 2014)
Project Thirteen Communications LLP (dissolved in 2014)

16. Trade and other receivables

Group

	31 December 2013 £	31 December 2012 £
Trade receivables	**5,916,044**	1,929,454
Less provision for impairment	**(112,746)**	(111,218)
	5,803,298	1,818,236
Loans	**955,645**	–
Other debtors	**768,254**	491,496
Prepayments	**302,209**	913,102
	7,829,406	3,222,834

The average credit period on sales of services is 87 days (2012: 79 days). No interest has been charged on trade receivables during the year. The Group provides for the impairment of trade receivables on a customer-by-customer basis having regard to past payment experience and the probability of future payment. Identified individual bad or doubtful debtors are provided for in full to the extent that they are deemed irrecoverable.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

During the year a bad and doubtful debt of £124,707 (2012: £201,073) was charged to the statement of comprehensive income. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impairment relating to doubtful debts. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group's two most significant debtors, a UK technology firm and UK retailer, account for £1,207,759 (21%) and £651,707 (11%) respectively, of the trade and other receivables balance at 31 December 2013. At 31 December 2012 there were three customers who individually represented more than 5% of the trade and other receivables balance.

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

	31 December 2013 £	31 December 2012 £
Neither past due nor impaired	**2,309,735**	882,145
Past due but not impaired:		
Past due up to 3 months	**3,082,896**	876,321
Past due more than 3 months not more than 6 months	**138,714**	57,299
Past due more than 6 months not more than 1 year	**258,713**	2,471
Past due more than 1 year	**13,240**	–
	5,803,298	1,818,236

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

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Balance at 1 January	**111,218**	40,053
Amounts written off during the year	**(123,180)**	–
Provision made during period	**124,708**	71,165
Balance at 31 December	**112,746**	111,218

Company

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Trade receivables	**9,887**	1,440
Less provision for impairment	**–**	–
	9,887	1,440
Loans	**955,645**	–
Other debtors	**75,877**	239,804
Prepayments	**148,664**	99,132
Receivable owed by related party (note 24)	**9,531**	–
	1,199,604	340,376

The trade receivables in the Company are not past due. Amounts owed by Group undertakings have no fixed repayment date.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

17. Trade and other payables

Group

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Trade payables	**4,077,707**	2,401,303
Bank overdrafts	**1,211,051**	–
Taxes and social security costs	**943,691**	447,649
Income received in advance	**912,610**	182,797
Provisions	**–**	79,000
Other payables	**1,513,295**	748,596
Accrued expenses	**1,161,249**	1,834,420
	9,819,603	5,693,765

There were no non-current trade and other payables in 2013 (2012: £Nil).

Company

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Trade payables owing to third parties	**305,389**	783,476
Trade payables owing to related parties (note 24)	**501**	–
	305,890	783,476
Taxes and social security costs	**268,974**	35,377
Other payables	**–**	5,629
Accrued expenses	**103,072**	762,540
	677,936	1,587,022

The average credit period taken by the Group on trade purchases was 89 days' (2012: 122 days). Interest may be charged on overdue trade payables at varying rates up to 9% per annum depending on the contractual terms and the legal requirements of the country of operation. The Group manages trade payables in accordance with customer terms and the cash flow requirements of the business. No interest was charged by suppliers during the year (2012: none).

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

18. Provisions and Contingent Liabilities

On 6 July 2012, the Group acquired a 90% interest in the share capital of Twenty20 Media Group Limited (previously called Twenty20 Media Vision Limited and renamed Twenty20 Media Group Limited on 30 October 2012), a full service media planning and buying agency based in Tunbridge Wells. In accordance with the terms of the acquisition, the Group is required to pay an amount of the deferred consideration up to £1,530,000 which is heavily reliant on two year earn-out level of profits and which is to be satisfied based on the same proportion of cash and shares as the initial consideration.

For the prior year ended on 31 December 2012, management estimated that the contingent consideration to be paid would be in the range of £300,000-£750,000 recognising £381,198 as most likely level of exposure. In the current year, following detailed re-assessment of the exposure based on actual performance of the acquired business, management estimated contingent consideration will be unlikely to exceed £400,000. As a result, management believes £381,198 of the provision remains reasonable and appropriate as of 31 December 2013.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

On 1 May 2013 the Group acquired Summit Marketing Services Limited (note 10) for a cash consideration of £232,153 and the deferred consideration up to a maximum of £450,000 dependent on two year performance results. Management evaluated two year EBITDA forecasts for the acquired business discounted using a Group pre-tax weighted average cost of capital of 14.80%. The present value of the maximum level of expected pay out has been included in the financial statements at 31 December 2013 in the amount of £254,831.

19. Share capital and reserves

Share capital

Allotted, called up and fully paid

31 December 2013	Number	**£**
ordinary shares of 10p each	162,121,000	**16,212,100**
Deferred shares of 0.9p each	72,000,000	**648,000**
		16,860,100

31 December 2012	Number	£
ordinary shares of 10p each	102,433,961	10,243,396
Deferred shares of 0.9p each	72,000,000	648,000
		10,891,396

ordinary shares

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

	Number	£ nominal value
At 1 January 2013	102,443,961	**10,243,396**
New issues during the year	59,687,045	**5,968,705**
At 31 December 2013	**162,121,006**	**16,212,101**

During March 2013, the Company placed 40,000,000 new ordinary shares at a price of 10p per ordinary share of 10p with certain institutional and other investors. These funds enabled the Group to repay £500,000 of loans from Hawk (note 21), strengthen the Group statement of financial position to acquire Cauldron Consulting Limited (note 10.1), and enabled Newgate Communications to commence its expansion into the Asia-Pacific region. Additionally, following 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 10p per share (note 21).

A further equity capital raise of £1.5 million (before expenses) was made during December by way of a placing of 11,538,462 new ordinary shares of 10p each at a price of 13p. The primary purpose of the placing was to raise funds that were used by the Group as a security deposit for a new property which the Group moved to during April 2014. The deposit was approximately £1.2 million including VAT. The new property is in a central location in London that the Directors believe is important for the business and will provide extra capacity for the Group as it continues to implement its expansion strategy.

On 1st November 2013, the Company allotted 2,692,300 ordinary shares of 10p each at a price of 13p per share as consideration for 51% stake acquired in Project 13 Communications Limited (note 10.1) and 422,950 ordinary shares of 10p each at a price of 13p per share to third party supplier as a sentiment of the outstanding balance in relation to consultancy services received during the year.

During December 2013, 33,333 new ordinary shares of 10p was issued at a price of 10p due to exercise of share options (note 20).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Deferred shares

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

a) A holder of Deferred shares shall have no right to receive notice of or to attend or vote at any General meeting of the company.

b) A holder of Deferred shares shall have no right to receive any dividend or distribution.

c) A holder of Deferred shares shall, on a return of capital in a liquidation but not otherwise, be entitled to receive a sum equal to the amount paid up or credited on each share but only after the sum of £1,000,000 per ordinary share has been distributed amongst the holders of the ordinary shares.

d) The Company may redeem the Deferred shares at any time for the sum of £1 payable in aggregate to all Deferred shareholders as a class.

Translation reserve

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

Other reserves

During the period, a net amount of £98,025 (2012: £911,706) was credited to other reserves and related to share-based payments transactions only (note 20 below).

20. Share based payments

Enterprise Management Incentive (EMI) & Unapproved Share Option Plan

During 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 under its Enterprise Management Incentive and Unapproved Share Option Plan ("EMI and Unapproved Plans"). 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'). On 19 March 2013 the Company cancelled all options granted under its Enterprise Management Incentive and Unapproved Share Option Plan ("EMI and Unapproved Plans") and re-granted options over an aggregate of 3,920,000 ordinary shares ("the Options")

The options 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.

On 25 June 2013, the Company granted additional options over 2,948,679 ordinary shares at an exercise price of 20p to Chief Executive Officer of the Group. The options vest in two equal installments subject to satisfaction of targeted adjusted earnings per share of £0.006 for 2013 and of £0.023 per share for 2014. The option could not be exercised over any of the shares under option until the second anniversary of grant had been reached.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

The fair value of services received in return for the share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model. Expected volatility is estimated by considering historical volatility over the period commensurate with the expected term. The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans.

	2012 option grant		2013 option grant
	Employees	Directors	Directors
Fair value at grant date	**4.96p**	**4.22p**	**3.36p**
Share price at grant date	**8.00p**	**8.00p**	**7.25p**
Exercise price	**10.00p**	**10.00p**	**20.00p**
Expected volatility	**76%**	**76%**	**76%**
Option life (expected weighted average life)	**6 years**	**6 years**	**6 years**
Expected dividends	**0%**	**0%**	**0%**
Risk-free interest rate	**1.1%**	**1.1%**	**2.55%**

	Number	Weighted average exercise price pence
Balance at 1 January 2013	**3,950,000**	**10.00p**
Issued during the year	2,948,679	20.00p
Approved during the year for subsequent issue	71,500	–
Exercised during the year	(33,333)	10.00p
Cancelled during the year*	(30,000)	10.00p
Forfeited during the year	(280,000)	10.00p
Balance at 31 December 2013	6,626,846	14.48p

* Share options which were not approved by HMRC under the issued EMI scheme were cancelled during the year. Since these options were treated as void no expenses was charged to the statement of comprehensive income.

£99,678 relating to share-based payments has been recognised as an expense in the Statement of Comprehensive Income for the year ended 31 December 2013 (2012: £69,987). 280,000 share options were forfeited and 33,333 exercised during the year. £1,653 (2012: £nil) has been released from other reserves as a result of the exercise.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

21. Loans and borrowings

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

Group

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Non-current liabilities		
Loans – Related party	**2,224,163**	–
Secured Bank Loan	**650,000**	650,000
	2,874,163	650,000
Obligation under finance lease (note 22)	**15,080**	–
	2,889,243	650,000
Current liabilities		
Loans – Related Party (see note 24)	**450,000**	2,911,817
Loans – other	**2,361,003**	–
Convertible Loan – Related Party (see note 24)	**–**	492,890
	2,811,003	3,404,707
Obligation under finance lease (note 22)	**4,157**	–
	2,815,160	3,404,707

Subsequent to the March 2013 fund raise, the Group has restructured the loans with Hawk, which stood at £3.0 million face value, following conversion of £500,000 into shares at 10p and a further loan draw down of £300,000. Of this, £800,000 together with related interest was repaid by the end of May 2013 and the remaining balance at a face value of £2,000,000 (carrying amount at the time of restructure stood at £1,985,172) has been converted into a deep discounted bond which is redeemable on 26 February 2016 at £2,862,000, equivalent to the current financing rate on the Hawk loans. The Hawk loan of £450,000, acquired with the WFCA plc acquisition and repayable on or before 4 March 2014, has been restructured and is now repayable in monthly installments to be paid off by 4 March 2015.

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

During 2013, the Company obtained three new short term loan facilities with a total face value of £2,300,000 from a third party, Retro Grand Limited for working capital needs. Subsequent to year end, and following successful completion of the February 2014 placing, on 18 March 2014 the Company has repaid all of its Retro grand loans and related interest.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Terms and debt repayment schedule

				2013		2012	
	Currency	Nominal interest rate	Year of maturity	Face Value	Carrying Amount	Face value	Carrying Amount
Deep discounted bond – related party	GBP	12%	2016	2,862,000	2,224,163	–	–
Loan	GBP	12%	2014	600,000	616,105	–	–
Loan	GBP	12%	2014	1,200,000	1,233,885	–	–
Loan	GBP	12%	2014	500,000	511,014	–	–
Loan – Related Party	GBP	12%	2015	300,000	300,000	–	–
Loan – Related Party	GBP	12%	2015	150,000	150,000	–	–
Secured Bank Loan	GBP	Base +2.75%	2014	650,000	650,000	650,000	650,000
Convertible Loan – Related Party	GBP	12%	2013	–	–	500,000	492,890
Loan – Related Party	GBP	12%	2013	–	–	1,250,000	1,233,944
Loan – Related Party	GBP	12%	2013	–	–	500,000	492,128
Loan – Related Party	GBP	12%	2013	–	–	750,000	735,745
Loan – Related Party	GBP	12%	2013	–	–	300,000	300,000
Loan – Related Party	GBP	12%	2013	–	–	150,000	150,000
				6,262,000	**5,685,166**	4,100,000	4,054,707

Company

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Current liabilities		
Loans – Related party (note 24)	**–**	2,461,817
Loans – other	**2,361,003**	–
Convertible Loan – Related Party (see note 24)	**–**	492,890
	2,361,003	2,954,707
Obligations under finance lease (note 22)	**4,157**	–
	2,365,160	2,954,707

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2013 Face Value	2013 Carrying Amount	2012 Face value	2012 Carrying Amount
Deep discounted bond – related party	GBP	12%	2016	2,862,000	2,224,163	–	–
Loan	GBP	12%	2014	600,000	616,105	–	–
Loan	GBP	12%	2014	1,200,000	1,233,885	–	–
Loan	GBP	12%	2014	500,000	511,014	–	–
Convertible Loan – Related Party	GBP	12%	2013	–	–	500,000	492,890
Loan – Related Party	GBP	12%	2013	–	–	1,250,000	1,233,944
Loan – Related Party	GBP	12%	2013	–	–	500,000	492,128
Loan – Related Party	GBP	12%	2013	–	–	750,000	735,745
				5,162,000	**4,585,166**	3,000,000	2,954,707

The related party loans and convertible loan are secured over all current and future assets of both the Company and all companies within the Group.

22. Finance Leases

Finance lease commitments – Group as lessee

On 3 October 2013, Group entered into four year finance lease agreement for a motor vehicle. The present value of the net minimum lease payments are as follows:

	31 December 2013 £
Within 1 year	**4,157**
From 1 – 5 years	**15,080**
More than 5 years	**–**
	19,237

Analysed as:	**£**
Current liability	**4,157**
Non-current liability	**15,080**

There were no finance lease commitments in the previous reporting year ended on 31 December 2012.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

23. Operating leases

The Group leases office premises, motor vehicles and other property, plant and equipment under operating leases. The leases of office premises typically run for periods up to 10 years. Leases for other fixed assets typically run for a period of 3 to 5 years. One of the leased properties has been sublet by the Group. The sublease will expire in 2014 and sublease payments of £20,133 are expected to be received within twelve months from statement of financial position date.

During the year an amount of £480,689 (2012: £380,905) was recognised as an expense in the profit or loss in respect of operating leases. An amount of £20,133 (2012: £10,067) was recognised in the profit or loss in respect of subleases.

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

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Less than one year	**229,081**	480,639
Between one and five years	**385,482**	650,718
More than five years	**–**	26,250
	614,563	1,157,337

24. Related party transactions

Key management personnel – Group and Company

In the opinion of the Board, only the Executive Directors of the Company fall to be regarded as key management personnel. The Executive Directors have service agreements which require 12 months notice of termination from either party. Key management personnel compensation, including state taxes, comprised the following:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Short term employee benefits	**445,749**	288,864
Share-based payments	**76,503**	41,224
Post-employment benefits	**24,000**	24,000
	546,252	354,088

Other related party transactions

During the year the Company was invoiced £31,200 (2012: £29,400) by CICS Limited, a company of which Brian Blasdale is a director, for Director's fees earned. At the year-end no amounts (2012: Nil) were owed by Company in respect of such fees.

£30,000 was paid to Hawk Consulting Limited, a company of which Bob Morton is a Director, for non-executive director fees (2012: £7,500 from 1 October 2012 to 31 December 2012).

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

During 2012, Hawk Investment Holdings Limited ('Hawk Investment'), a company beneficially owned by Bob Morton and his wife, provided the Group with the number of short term loan facilities as presented below:

	Nominal Interest Rate	Year of maturity	Amount, £
Loans provided to Parent			
Convertible Loan – Related Party	12%	2013	500,000
Loan – Related Party	12%	2013	1,250,000
Loan – Related Party	12%	2013	500,000
Loan – Related Party	12%	2013	750,000
Loan – Related Party (bridging loan)	12%	2013	300,000
Loans provided to other Group entities			
Loan – Related Party	12%	2013	300,000
Loan – Related Party	12%	2013	150,000

On 28 February 2013, the Company obtained new short term facility of £300,000 from Hawk Investment, the bridging loan, due for repayment after 12 months.

On 8 March 2013, the Company repaid a £500,000 loan, together with £11,753 interest costs, to Hawk Investments. On 18 March 2013, the Company allotted 5,000,000 further ordinary shares of 10p per share following the conversion of the £500,000 convertible loan by Hawk Investment Holdings Limited at a price of 10p per share. A total of £14,039 was paid to Hawk Investment as an interest charge.

On 15 April 2013, the Company opted for an early repayment of £300,000 bridging loan and £9,945 of related interest costs.

The remaining £2,000,000 face value borrowings were restructured into one loan, the deep discounted bond, with the face value of £2,862,000 and 12% fixed annual interest payable together with the principal of the loan on the date of financial instrument's maturity on 28 February 2016.

In relation to Hawk Investment loans during 2013, the Group has charged a total of £337,806 of finance costs to the Consolidated Statement of Comprehensive Income.

On 18 March 2013 the Company completed an equity fundraising in which Hawk Investments participated investing approximately £1,000,000 through the subscription of 10,000,000 ordinary shares at a price of 10p per share. On 10 December 2013 a further equity fundraising was completed by the Company in which Hawk Investments subscribed for a further 3,000,000 ordinary shares at 10p per share investing £300,000.

Berwin Leighton Paisner LLP, a legal practice in which Raymond McKeeve was a partner, has invoiced the Company £322,352 (2012: £439,476) for legal advice in the Media Square case during 2012. At the year-end £nil was owed by Company (2012: £359,976).

During the year £7,732 (2012: £10,368) was invoiced from Howard Kennedy, a legal practice in which a close family member of Keith Springall is a partner (Keith Springall resigned 21 July 2013) in relation to legal services. No amounts were outstanding at 31 December 2013 (2012: Nil).

During the year, the Company provided £407,380 and £531,006 of loan facilities to Newgate Hong Kong and Newgate Singapore respectively whereat Group finance director has non-executive directorship on both boards.

During the year the Group paid £113,000 (2012: £53,746) to members of Directors' families employed by the Group. All related party transactions were on normal commercial terms.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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

Director	Max amount outstanding by Director during the year £	Owed by Directors / (Owed to Directors) 2013 £	2012 £
David Wright	–	(314)	–
Gene Golembiewski	–	(187)	–
Keith Springall	–	9,531	–
Bob Morton	–	–	–
Brian Blasdale	–	–	(1,478)
Raymond McKeeve	–	–	–

Transactions with subsidiary undertakings – Company

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

Subsidiary	Nature of transactions	2013 Charged by parent £	2013 Charged to parent £	2012 Charged by parent £	2012 Charged to parent £
21:12 Direct LLP (previously Crazy Horse Integrated LLP)	Expense recharge and consultancy fees	9,655	–	–	–
	Interest	1,276	–	–	–
Cauldron Consulting Limited	Expense recharge and consultancy fees	114	–	–	–
	Interest	–	987	–	–
Impact 34 Limited	Expense recharge	–	–	249	–
Newgate Investor Relations Limited	Expense recharge and consultancy fees	190	–	–	–
Newgate Australia Pty Limited	Interest	28,907	–	–	–
Newgate Brussels Sprl	Expense recharge and consultancy fees	33,592	–	29,135	–
	Interest	3,745	–	1,642	–
Newgate Comms LLP	Expense recharge and consultancy fees	2,910	–	–	–
	Interest	2,915	–	–	–
Newgate Communications LLP	Expense recharge and consultancy fees	235,287	–	110,226	–
	Interest	23,874	–	4,508	–
Newgate Public Affairs Limited	Expense recharge	–	–	19,187	–
	Interest	–	–	3,192	–
Newgate Public Relations Limited	Expense recharge	–	–	60,663	–
	Interest	–	–	10,250	–
Newgate Threadneedle Limited	Expense recharge	29,901	474,122	–	–
	Group dividend	–	–	505,067	–
Project 13 Communications Limited	Expense recharge and consultancy fees	3,073	–	–	–
	Interest	334	–	–	–
Twenty20 Media Group	Expense recharges	2,040	–	–	–

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

Subsidiary	Nature of transactions	2013 Charged by parent £	2013 Charged to parent £	2012 Charged by parent £	2012 Charged to parent £
TwentyOne Twelve Communications LLP	Expense recharges and group marketing and advertising services	**99,054**	**–**	43,538	853
	Interest	**13,435**	**29,431**	1,382	–
Twenty Four Seven Studios LLP	Expense recharges and group marketing and advertising services	**32,111**	**9,531**	15,320	455
	Interest	**5,459**	**–**	540	–
		527,476	**514,071**	823,780	159,533

The Company also undertakes various group treasury functions receiving payments from group companies, funding group companies and making payments on their behalf and the net amount outstanding to or from the parent company at the year end is as follows:

Subsidiary	Amount outstanding at year end owed to parent/(owed by parent) 2013 £	2012 £
Impact 34 Limited	**–**	41,894
Impact34 Reklam ve Organizasyon Denişmanlik Hizmetleri Limited	**–**	224,748
Newgate Brussels SPRL	**221,356**	104,123
Newgate PR Holdings Limited	**345,421**	5,421
Newgate Public Affairs Limited	**(32,076)**	71,767
Newgate Public Relations Limited	**213,874**	454,771
Newgate Threadneedle Limited	**(105,231)**	264,411
Newgate Communications LLP	**1,006,647**	406,879
Newgate Comms LLP	**207,920**	–
Newgate Australia Pty Limited	**612,118**	–
Cauldron Consulting Limited	**(90,940)**	–
Project 13 Communications Limited	**117,608**	–
Newgate Trading Europe Limited	**–**	–
Newgate Media Holdings Limited	**304,000**	303,999
21:12 Direct LLP (previously Crazy Horse Integrated LLP)	**50,589**	–
TwentyOne Twelve Communications LLP	**823,906**	274,212
TwentyFour Seven Studios LLP	**340,926**	124,433
Twenty20 Media Group Limited	**1,565,430**	748,774
Twenty20 Media Vision Limited	**–**	1,240,612
WFCA Limited	**475,000**	–
Velvet Consultancy Limited (previously Wilton International Consulting Limited)	**218,490**	218,490
Net amount owed to parent Company	**6,275,038**	4,484,534
less provided as bad debt	**(218,490)**	(485,132)
Total	**6,056,548**	3,999,402

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2013

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

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

25. Subsequent events

At the very end of 2013, the Group announced the opening of a Newgate Communications office in Abu Dhabi, the capital of the United Arab Emirates (UAE). This start-up, located in the Abu Dhabi Media Zone Authority, will liaise closely with the Newgate London office. Newgate Abu Dhabi has already won its first clients, and is pursuing several opportunities in the region.

On February 2014, we announced that the Group raised £7.0 million (before expenses) on AIM by way of an oversubscribed placing of 53,846,153 new ordinary shares at a price of 13p. The funds will be used by the Group to implement the next phase of growth by acquiring a number of public relations and advertising businesses in the UK. The funds were also used to acquire the remaining 20% of Newgate Threadneedle, as well as to repay the £2.4m of loans (including interest) obtained during the year from Retro Grand Limited.

The changes in financing have considerably improved the Group's capital position for the forthcoming year as well as improving the Group's cash flow by reducing its monthly interest payments and will allow the Group to move forward with its planned expansion over the next few months.

On 28 March 2014, we announced the acquisition of two businesses from WSM Communications Group. These two businesses, which will be integrated with the 21:12 Communications business, provide full studio design and art-working capabilities and a full digital design and production unit. The deal was financed by the issue of 7,500,000 ordinary shares at a price of 14.075p per share, with 5,723,802 of the shares issued subject to a 12-month lock-in agreement and a further 12-month orderly market agreement.

On 22 April 2014, we announced that Newgate Communications will establish a start-up in Qatar. The team that will be based in Qatar has already secured its initial retainer contract and is in the process of negotiating a number of further potential contracts. In addition to the Newgate start-up in Abu Dhabi, the Group will have a very solid base on which to build the Newgate brand in the Middle East.

On 23 April 2014, we announced the acquisition of 51% of Redleaf Polhill Limited, a leading full service communications agency, for £1,795,000, satisfied as to £897,500 in cash and the balance through the issue of 6,998,050 ordinary shares. The acquisition is expected to be earnings accretive within its first full year. The shares are subject to a lock-in agreement which provides for a 24-month lock-in period and a further 12-month orderly market period. This acquisition also involves an option to acquire the remaining 49% over the following three years which will be satisfied 50% in cash and 50% in ordinary shares. Redleaf will become part of the public relations division but will continue to be run as a separate brand by its existing team. In January 2014, it was awarded the Grant Thornton QCA PR Firm of the year, and in March 2014 the KPMG/Shares best Advisor-Financial PR.

On 18 March 2014 the Board of the Company granted options over a total of 2,500,000 ordinary shares of 10p each in the Company to Gene Golembiewski, the Group Finance Director. The exercise price of the Options is 20p per share and, subject to the achievement of certain performance conditions, 50 per cent of the Options will vest on the first anniversary of the date of grant and the remaining 50 per cent will vest on the second anniversary of the date of grant.

Notice of Annual General Meeting

Porta Communications PLC

(incorporated and registered in England and Wales with registered number 05353387)
Registered office: Sky Light City Tower, 50 Basinghall Street, London EC2V 5DE

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "AGM") of Porta Communications PLC (the "Company") will be held at the offices of Porta Communications PLC, Sky Light City Tower, 50 Basinghall Street London, EC2V 5DE, on 26 June 2014 at 12.00 p.m. for the following purposes:

Ordinary Business

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

1. Report and Accounts

To receive the audited annual accounts for the year ended 31 December 2013, together with the reports of the Directors and Auditors therein.

2. Re-election of director

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

3. Election of director

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

4. Re-appointment of auditors

To re-appoint Nexia Smith & Williamson as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

5. Auditor's remuneration

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

Special Business

To consider, and if thought fit, to pass the following resolutions, of which resolutions 6, 9 and 10 will be proposed as ordinary resolutions, and resolutions 7 and 8 will be proposed as a special resolutions:

6. Directors' authority to allot shares

That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £7,623,506.43 provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of the passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Notice of Annual General Meeting *(continued)*

7. Directors' power to issue shares for cash

That, in substitution for equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered to allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 6 above (in accordance with Section 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with Section 573 of the Act), in each case, as if Section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

(a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities:

(i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

(ii) to holders of any other equity securities as required by the rights of those securities or as the directors consider necessary,

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

(b) the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities up to an aggregate nominal value equal to £5,717,629.82; and

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

8. Authority to purchase shares (market purchases)

That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 10p each ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased is 22,870,519;

(b) the minimum price which may be paid for any such Ordinary Share is 10p;

(c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

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

9. Share incentive plans

To authorise the Board to adopt new executive and all-employee equity arrangements, the principal features of which will be determined by the Board, but which will not involve the issue of new ordinary shares in the capital of the Company such that when aggregated with rights to acquire newly issued shares under all existing equity plans operated by the Company would exceed 10% of the issued share capital of the Company in any rolling ten year period.

Notice of Annual General Meeting *(continued)*

10. Political Donations

To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of Section 366, Companies Act 2006:

(a) to make political donations to political parties or independent election candidates (as such terms are defined in Section 363 and 364, Companies Act 2006), not exceeding £50,000 in aggregate;

(b) to make political donations to political organisations other than political parties (as such terms are defined in Sections 363 and 364, Companies Act 2006), not exceeding £50,000 in aggregate;

(c) to incur political expenditure (as such term as defined in Section 365, Companies Act 2006), not exceeding £50,000 in aggregate,

provided that this authority shall expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company and further provided that the maximum amounts referred to in sub-paragraphs (a), (b) and (c) may comprise sums in different currencies that shall be converted at such rate as the Directors may in their absolute discretion determine to be appropriate.

BY ORDER OF THE BOARD

Gene Golembiewski
Secretary

27 May 2014

Notes:

1. As a member of the Company, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a Form of Proxy with this notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. To appoint a proxy using the Form of Proxy, the form must be: (i) completed and signed; (ii) sent or delivered to the Company's Registrars, SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD marked "Proxy Return"; and (iii) received by the Company's Registrars no later than 12.00 p.m. on 24 June 2014.

4. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

5. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in the Notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

6. As at 26 May 2014 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 228,705,193 ordinary shares of 10p, carrying one vote each and 72,000,000 deferred shares of 0.9p which carry no right to vote. Therefore the total number of voting rights in the Company as on the date immediately prior to the publication of this Notice was 228,705,193.

7. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the Register of Members of the Company at 6.00 p.m. on 24 June 2014 shall be entitled to attend and vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 24 June 2014 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

Notice of Annual General Meeting *(continued)*

8. There will be available for inspection at the Company's registered office during normal business hours from the date of this notice to the date of the AGM and for 15 minutes prior to and during the AGM the following:

   (a) the Articles of Association of the company; and

   (b) copies of the Directors' Service Contracts with the Company or its subsidiaries and the terms and conditions of appointment of Non-Executive Directors.

Explanatory notes to the Resolutions:

Resolution 1 – Report and Accounts

All companies are required by law to lay their annual accounts and reports before a general meeting of the Company, together with the Directors' Report and Auditor's report on the accounts. At the AGM, the Directors will present these documents to the shareholders for the financial year ended 31 December 2013.

Resolution 2 – Re-election of director

These resolutions concern the re-appointment of David Wright who is retiring at the meeting by rotation in accordance the Company's articles of association.

A biography of David Wright is set out on page 15.

Resolution 3 – Election of director

This resolution concerns the election of Gene Golembiewski as an Executive Director of the Company. Gene was appointed by the Board on 25 July 2013 as Finance Director. Gene Golembiewski is required by the Company's articles of association to offer himself for election at the annual general meeting following his appointment.

A biography of Gene Golembiewski is set out on page 15.

Resolution 4 – Re-appointment of auditors

This resolution concerns the re-appointment of Nexia Smith & Williamson as auditors until the conclusion of the next general meeting at which accounts are laid that is, the next Annual General Meeting.

Resolution 5 – Auditors remuneration

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

Resolution 6 – Directors' authority to allot shares

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £7,623,506.43, representing approximately 33.33% of the nominal value of the issued ordinary share capital of the Company as at 26 May 2014 (being the latest practicable date before publication of this notice). The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

Resolution 7 – Directors' power to issue shares for cash

This resolution authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £5,717,629.82, representing approximately 25% of the nominal value of the issued ordinary share capital of the Company as at 26 May 2014 (being the latest practicable date before publication of this notice). Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 18 months after the passing of the resolution, whichever is the earlier.

Notice of Annual General Meeting *(continued)*

The Directors consider that the power proposed to be granted by resolution 7 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

Resolution 8 – Authority to purchase shares (market purchases)

This resolution authorises the board to make market purchases of up to 22,870,519 ordinary shares (representing approximately 10% of the Company's issued ordinary shares as at 26 May 2014 being the latest practicable date before publication of this notice). Ordinary shares so purchased may be cancelled or held as treasury shares. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The minimum price that can be paid for an ordinary share is 10p being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

Resolution 9 – Share incentive plans

This resolution authorises the Directors to establish various share incentive plans some of which are for the benefit of all employees of the Company and its subsidiaries and some of which may be used to incentivise the Executive Directors only. The share options issued under the existing plans operated by the Company and those to be established by the Company will not exceed 10% of the issued share capital of the Company in any rolling ten year period.

Resolution 10 – Political Donations

Resolution 10 concerns Part 14 of the Companies Act 2006 which provides that political donations made by a company to political parties, to other political organisations and to independent election candidates or political expenditure incurred by a company must be authorised in advance by its shareholders.

It is not the policy of the Company to make donations to political parties, other political organisations or independent election candidates or to incur political expenditure, and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Companies Act 2006, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a political donation to a political party or other political organisation and fall within the restrictions of the Companies Act 2006.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Companies Act 2006 and is intended to authorise normal donations and expenditure. If passed, resolution 10 will allow the Company and its subsidiaries to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure (as defined in the Companies Act 2006) up to an aggregate limit of £150,000 in the period beginning with the date of the passing of this resolution and ending 18 months after the date of the passing of this resolution or, if sooner, the conclusions of the next Annual General Meeting of the Company whilst avoiding, because of the uncertainty over the definitions used in the Companies Act 2006, inadvertent infringement of the Companies Act 2006.

Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for the next financial year, as required by the Companies Act 2006. The authority will not be used to make political donations within the normal meaning of that expression.

Form of Proxy

For use at the annual general meeting of Porta Communications PLC (the "Company") to be held at Sky Light City Tower, 50 Basinghall Street, London EC2V 5DE on 26 June 2014 at 12.00 p.m. (the "AGM")

Resolutions	FOR	AGAINST	VOTE WITHHELD
ORDINARY BUSINESS:			
1. To receive the Report and Accounts for the year ended 31 December 2013 (ordinary resolution)			
2. To re-elect David Wright as a Director (ordinary resolution)			
3. To elect Gene Golembiewski as a Director (ordinary resolution)			
4. To re-appoint Nexia Smith & Williamson as auditors (ordinary resolution)			
5. To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)			
SPECIAL BUSINESS:			
6. To authorise the Directors to allot relevant securities (ordinary resolution)			
7. To empower the Directors to allot equity securities for cash on a non pre-emptive basis in certain circumstances (special resolution)			
8. To authorise the Directors to make market purchases of its ordinary shares (special resolution)			
9. To authorise the Directors to establish share incentive plans (ordinary resolution)			
10. To authorise the Directors to make political donations (ordinary resolution)			

I/We ....

of..

being a member of the Company:

(1) hereby appoint .... or, failing him/her, the Chairman of the AGM to act as my/our proxy to vote for me/us and on my/our behalf at the AGM of the Company to be held on 26 June 2014 and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 27 May 2014 (the "Resolutions") and any other business (including adjournments and amendments to the Resolutions) which may properly come before the AGM or any adjournment thereof;.

(2) direct my/our proxy to vote as set out above in respect of the Resolutions: (PLEASE INDICATE WITH AN X IN THE BOXES ABOVE)

Signature.. Date.. 2014

Notes

1. Please indicate how you wish your votes to be cast on a poll in respect of the Resolutions to be proposed at the AGM. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting. Your proxy will have the authority to vote at his/her discretion on any amendment or other motion proposed at the AGM, including any motion to adjourn the AGM.
2. To appoint as a proxy a person other than the Chairman of the AGM insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   a. To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   b. To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'or, failing him/her, the Chairman of the AGM' and insert the name and address of your proxy in the space provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   c. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the AGM'. All forms must be signed and should be returned together in the same envelope.
3. Unless otherwise indicated the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
4. The Form of Proxy must arrive at SLC Registrars during usual business hours accompanied by any power of attorney under which it is executed (if applicable) no later than 12.00 p.m. on 24 June 2014.
5. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
6. The 'Vote Withheld' option is to enable you to abstain on any particular Resolution. Such a vote is not a vote in law and will not be counted in the votes 'For' and 'Against' a Resolution.
7. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the Register of Members of the Company at 6.00 p.m. on 24 June 2014 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so.

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