

**REGISTERED NUMBER: 02036968 (England and Wales)**

**PSONA LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**



## **PSONA LIMITED**

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**PSONA LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**DIRECTORS:**

Mr A M Blundell  
Mr S C Rawlins

**SECRETARY:**

Mrs S L Caddy

**REGISTERED OFFICE:**

Communis House  
Manston Lane  
Leeds  
LS15 8AH

**REGISTERED NUMBER:**

02036968 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

## PSONA LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic Report for the year ended 31 December 2017.

#### RESULTS

2017 was a challenging year for Psona Limited. The turnover for the year was £6,687,977 (2016 £3,472,602). The increase in turnover is attributable to the data business offer which performed well in 2017 with strong sales performance on existing key clients. However, the lack of new client acquisition on the strategic and creative services side of the business contributed to operating losses. New businesses conversion was slow and large losses could not be averted in 2017.

In addition the Company delivered a loss before tax of £2,271,653 during 2017 (2016 £1,315,190). The significant increase in loss before tax is attributable to the recognition of impairment losses on the investment with Public Creative Limited and goodwill from Psona Glasgow Limited which amounted to £379,000 and £209,609, respectively. The Company also incurred exceptional costs totalling £707,274 in 2017 (2016 £520,898) in respect of organisational restructuring to reduce the cost base, deliver efficiency improvements and outsource non-core activities.

#### Key Performance Indicators

	2017	2016
Total turnover (£)	6,687,977	3,394,398
Operating loss before exceptional items (£) *	(975,826)	(794,722)
Operating margin before exceptional items (%) *	(15)	(23)
Loss before taxation **	(2,271,653)	(1,315,190)

\*Operating loss and margin before exceptional items is calculated by excluding material and infrequently occurring gains and losses (see note 7).

\*\*Loss before taxation is calculated after all exceptional items (see note 7).

#### STRATEGY AND IMPLEMENTATION

Psona Limited is a subsidiary of Communisis plc.

A decision was taken in January 2017 to bring the trade and assets from both Communisis Data Limited (formerly Communisis Data Intelligence Limited) and Psona Glasgow Limited (both group companies) into the business to strengthen the data and social marketing expertise of the agency. A decision was also taken in October 2017 to bring the trade and assets of Psona Films Limited (another group company) into the business to strengthen the creative expertise of Psona Limited.

Currently, Psona Limited has three distinct market propositions under the trading names - Psona, Psona Films, and Psona Data (formerly Communisis Data Intelligence Limited) which operate semi-independently, but come together as joint propositions when clients require the full range of services.

Combining the results of this with broader offering, the Company's expected to return to profitability in the future.

**STRATEGIC REPORT - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the business are taken directly from the risk registers and are detailed below. The Company faces other risks which are subject to regular review and, have been assessed as lower risk and are therefore not included here. Some risk factors remain beyond the direct control of the Company and the Risk Management Programme. We can therefore, only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

The Company continues to monitor the impact of the UK's decision to exit the EU but until we have more visibility of the eventual outcome it is difficult to fully evaluate the impact on the Company's activities.

<b>Risk Area</b>	<b>Impact</b>	<b>Mitigating Actions and Management</b>
The Company must be able to respond to market and technological change	Clients' and their customers' progressive adoption of digital formats and channels may impact Company strategy and market demand for products and services. The impact is that the systems and equipment utilised by the Company could be superseded earlier than anticipated by management.	- Continued investment in technology and new services maintains and enhances the Company's competitive position. - Specific teams have been introduced within the business to lead Change and Innovation. - The Company is committed to developing or procuring new types of technology in order to be able to provide the latest services to Clients and therefore maintain its competitive position.
Safeguarding of data and Cyber risk	The Company processes personal and sensitive data on behalf of Clients as part of its core services. The impacts are that: - A failure to maintain a secure and fully functional IT infrastructure could result in an inability to meet contractual service obligations; and - The confidentiality, integrity and availability of information processed by the Company could be compromised by human error, systems failure, equipment malfunction or deliberate unauthorised action, any of which could result in reputational damage and financial loss.	- Continued investment in IT infrastructure, security and monitoring, guards against the inappropriate use of Client data and maintains and enhances the effectiveness of controls. - Established information and security standards are subject to regular third-party audits. - Processes to deal with Cloud Computing assessment and risk management have been implemented. - Core areas of the Company are subject to Certification including ISO/IEC 27001.
Existing Client concentration may mean that the loss of a major Client could materially decrease sales	A substantial percentage of the Company's revenues are derived from a relatively small number of Clients and therefore the loss of one or more of these Clients could have a material impact on the Company's sales. This could result in a material decrease in profitability whilst new contracts are sought and excess capacity reduced.	- A strategic account management programme operates to preserve Client relationships, monitor compliance with service level agreements and expand the services offered to key Clients. - Business development activities continue to promote the Company's services in a broad range of market sectors, reducing the historical reliance on the financial services sector. - Long-term Client relationships and associated contractual commitments are developed.
Deterioration in the economic environment may decrease profitability	The impact is that that macro-economic issues may quickly and detrimentally affect consumer expenditure, which could impact the trading performance of the Company's Clients and reduce their discretionary spend resulting in lower sales and profitability.	- Market trends are monitored and factored into the Company's business planning, budgeting and management processes. - Volume erosion protection is included in contract terms where possible.

**PSONA LIMITED**

**STRATEGIC REPORT - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>Risk Area</b>	<b>Impact</b>	<b>Mitigating Actions and Management</b>
Clients rely upon proven resilient business operations	<p>Certain Company operations depend upon the uninterrupted delivery of products and services that rely on complex computer networks and systems.</p> <p>The impact is that the Company may face a significant business continuity incident that will materially affect its ability to deliver products or services to its Clients, and associated financial penalties.</p>	<p>- A Business Continuity Management (BCM) System and BCM plans are in place. These are exercised and audited for core areas of the Company.</p> <p>- Key areas of the Company have been integrated in to ISO/IEC 22301 certification</p>
Talent and skills recruitment and retention	<p>Without learning, development resource and succession planning, there is a risk that the Company will be unable to develop, retain and motivate highly skilled employees that are necessary to support operations, expand and build Client relationships.</p>	<p>- The Company actively monitors senior leadership to ensure motivation is maintained, that succession plans are in place and applied to relevant team members.</p> <p>- The Company has policies and procedures in place for training and development.</p> <p>- Business operational expansion also help to ensure that the Company has the right skills.</p> <p>- The Company provides regular training on health and safety for all employees and monitors performance to ensure compliance with all relevant regulations and employment laws across all jurisdictions in which the Company operates.</p>
Due to high operational gearing, a reduction in revenues could significantly impact profitability	<p>The impacts are that the Company will not:</p> <ul style="list-style-type: none"> <li>- Adapt sufficiently quickly to any technological change or downturn in demand, with a consequent loss of competitiveness and profitability;</li> <li>- have adequate resources to invest in new technology and services;</li> <li>- retain its major client portfolio, without replacement, or recover debts; and</li> <li>- diversify sufficiently into other market sectors.</li> </ul>	<p>- The Company prepares regular financial forecasts to evaluate its funding and liquidity requirements for the foreseeable future. These forecasts are reviewed and approved by the Board. Based on these forecasts appropriate funding and liquidity solutions are put in place to ensure that appropriate headroom is maintained.</p>

**SIGNED ON BEHALF OF THE DIRECTORS:**



Mr S C Rawlins - Director

19 September 2018

## **PSONA LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their report and the Financial Statements of the Company for the year ended 31 December 2017.

#### **DIVIDENDS**

There were no dividends paid during the year (2016 none).

#### **FUTURE DEVELOPMENTS**

The Company is expected to return to profitability in the future in line with the Company's strategic initiatives as set out in the Strategic Report on pages 2 to 4.

#### **DIRECTORS**

Mr A M Blundell has held office during the whole of the period from 1 January 2017 to the date of this report.

Other changes in Directors holding office are as follows:

Mr M A Stoner - resigned 4 December 2017

Mr S C Rawlins - appointed 4 December 2017

#### **FINANCIAL INSTRUMENTS**

The Company finances its activities with cash and a combination of intercompany loans with other Group entities. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to interest rate, credit, price and liquidity risk. These are managed at a group level, and further details can be obtained from the Communisis plc Financial Statements.

#### **DIRECTORS' INDEMNITY INSURANCE**

The parent company, Communisis plc, granted an indemnity to each of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report. The indemnity is controlled and paid centrally by the ultimate parent company.

#### **GOING CONCERN**

As at 31 December 2017 the Company had net liabilities of £2,042,833 (2016 net liabilities of £80,347) of which £6,633,380 (2016 £593,505) is payable to Group companies. The Financial Statements have been prepared on the going concern basis as the ultimate parent company, Communisis plc, has agreed to provide financial support to the Company for the foreseeable future.

#### **DISCLOSURE IN THE STRATEGIC REPORT**

The Companies Act 2006 requires us to present a fair review of the business during the year to 31 December 2017 and of the position of the Company at the end of the financial period along with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 2 to 4.

## **PSONA LIMITED**

### **DIRECTORS' REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that year.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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


#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **AUDITORS**

Ernst & Young LLP have been re-appointed as auditor for the ensuing year in accordance with section 485 of the Companies Act 2006.

#### **SIGNED ON BEHALF OF THE DIRECTORS:**



Mrs S L Caddy - Secretary

19 September 2018



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PSONA LIMITED**

### **Opinion**

We have audited the Financial Statements of Psona Limited for the year ended 31 December 2017 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PSONA LIMITED - continued**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of Directors**

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

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

### **Our responsibilities for the audit of the Financial Statements**

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

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

### **Use of our report**

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

*Ernst & Young LLP*

Mark Morritt (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

26 September 2018

**PSONA LIMITED****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>TURNOVER</b>	3	6,687,977	3,472,602
Cost of sales		<u>(2,364,754)</u>	<u>(990,461)</u>
<b>GROSS PROFIT</b>		4,323,223	2,482,141
Administrative expenses		<u>(6,006,323)</u>	<u>(3,797,761)</u>
<b>OPERATING LOSS</b>		(1,683,100)	(1,315,620)
Interest receivable and similar income		56	705
Impairment losses	6	(588,609)	-
Interest payable and similar expenses	5	<u>-</u>	<u>(275)</u>
<b>LOSS BEFORE TAXATION</b>	7	(2,271,653)	(1,315,190)
Tax on loss	8	<u>309,167</u>	<u>270,424</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(1,962,486)</u>	<u>(1,044,766)</u>

All income and expenses relate to continuing operations.

**PSONA LIMITED**

**OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
<b>LOSS FOR THE YEAR</b>	<b>(1,962,486)</b>	<b>(1,044,766)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(1,962,486)</u></b>	<b><u>(1,044,766)</u></b>

**PSONA LIMITED (REGISTERED NUMBER: 02036968)**

**BALANCE SHEET  
31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	9	306,142	22,833
Tangible assets	10	992,598	1,077,932
Investments	11	-	379,000
		<u>1,298,740</u>	<u>1,479,765</u>
<b>CURRENT ASSETS</b>			
Debtors	12	2,962,422	1,589,739
Cash at bank		<u>2,047,688</u>	-
		5,010,110	1,589,739
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>(7,953,311)</u>	<u>(2,692,326)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,943,201)</u>	<u>(1,102,587)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,644,461)	377,178
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>(398,372)</u>	<u>(457,525)</u>
<b>NET LIABILITIES</b>		<u>(2,042,833)</u>	<u>(80,347)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	22,127	22,127
Share premium	18	89,007	89,007
Retained earnings	18	<u>(2,153,967)</u>	<u>(191,481)</u>
<b>SHAREHOLDERS' DEFICIT</b>		<u>(2,042,833)</u>	<u>(80,347)</u>

The Financial Statements were approved by the Board of Directors on 19 September 2018 and were signed on its behalf by:



Mr S C Rawlins - Director

**PSONA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2016</b>	22,127	853,285	89,007	964,419
<b>Changes in equity</b>				
Total comprehensive loss	-	(1,044,766)	-	(1,044,766)
<b>Balance at 31 December 2016</b>	<u>22,127</u>	<u>(191,481)</u>	<u>89,007</u>	<u>(80,347)</u>
<b>Changes in equity</b>				
Total comprehensive loss	-	(1,962,486)	-	(1,962,486)
<b>Balance at 31 December 2017</b>	<u>22,127</u>	<u>(2,153,967)</u>	<u>89,007</u>	<u>(2,042,833)</u>

The notes on pages 13 to 26 form part of these Financial Statements

## **PSONA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE**

The Financial Statements of Psona Limited (the "Company") for the year ended 31 December 2017 were authorised for issue on 19 September 2018 and the Balance Sheet was signed on the Board's behalf by Mr S C Rawlins. Psona Limited is a private limited company, incorporated and domiciled in England and Wales. The registered office is located at Communisis House, Manston Lane, Leeds LS15 8AH.

The Company's Financial Statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable United Kingdom law and accounting standards.

The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in Note 2.

#### **2. ACCOUNTING POLICIES**

##### **Basis of preparation**

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) of IAS 36 Impairments of Assets.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and cash flow risk are described in the Strategic Report on pages 2 to 4.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Significant accounting judgements and estimates**

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

**Turnover recognition**

Turnover from delivery of customer projects provided in accordance with long-term contracts is recognised based on the stage of completion. This method relies on the estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion. Unless the financial outcome of a contract can be estimated with reasonable certainty, no turnover is recognised.

**Judgements**

In the course of preparing these Financial Statements, no judgements have been made in applying the Company's accounting policies other than those involving estimation, that have had a significant effect on the amounts recognised in the Financial Statements.

**Summary of significant accounting policies**

**Turnover**

The turnover shown in the Income Statement represents the value of services provided during the year, stated net of value added tax.

Turnover from delivery of customer projects is recognised by reference to the stage of completion. Stage of completion is estimated using an appropriate measure according to the nature of the contract such as costs incurred relative to total anticipated costs or other measures such as contracted performance milestone completion. Where the project outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

**Goodwill**

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

**Investments**

Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in accordance with IAS 39 either in profit and loss or in other comprehensive income. If the contingent consideration is classed as equity, it is not re-measured until it is finally settled within equity.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.



**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and machinery	3 to 5 years
Short leasehold	Over the life of the lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Useful economic lives, depreciation methods and residual values are reviewed annually. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

**Financial liabilities**

The Company's financial liabilities include borrowings, trade and other creditors, which are all classified as 'financial liabilities'. Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

**Debtors**

Debtors, which generally have 30-90 days credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made. Bad debts are written off when identified.

**Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Creditors**

Creditors, which generally have 30-90 days' credit terms, are recognised and carried at original invoice amount.

**Income tax**

**Current tax**

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

**Deferred tax**

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Leasing commitments**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the assets.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term or in accordance with utilisation of the leased asset if more appropriate.

## PSONA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2017

#### 2. ACCOUNTING POLICIES - continued

##### Share based payments

Certain Directors and management are eligible to participate in share-based payment schemes, all of which are equity-settled.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Communisis plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting or non-vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. This includes any awards where non-vesting conditions within the control of the Company or the employee are not met. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Where an equity-settled award is forfeited, the total cost recognised in the Income Statement to date for the award is reversed.

##### Employee benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the Income Statement in the period to which they relate.

##### Dividend recognition

The Company recognises final dividends on approval by the Board of Directors.

#### 3. TURNOVER

An analysis of turnover disclosed in the Income Statement by geographical market is given below:

	2017 £	2016 £
United Kingdom	6,632,711	3,394,398
Overseas	55,266	78,204
	<u>6,687,977</u>	<u>3,472,602</u>

**PSONA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**4. EMPLOYEES AND DIRECTORS**

The average number of staff employed by the Company during the financial year amounted to:

	2017 No	2016 No
Number of production staff	43	31
Number of administrative staff	6	8
	<u>49</u>	<u>39</u>

	2017 £	2016 £
Wages and salaries	2,650,735	2,362,957
Social security costs	313,754	286,585
Other pension costs	95,447	86,198
Equity share-based payments	2,082	-
	<u>3,062,018</u>	<u>2,735,740</u>

The total emoluments of the Directors of the Company (including those paid through other Group Companies) were as follows:

	2017 £	2016 £
Remuneration receivable	<u>839,231</u>	<u>1,368,498</u>
Remuneration of highest paid Director	<u>517,207</u>	<u>528,243</u>

Two of the Directors exercised share options in the ultimate parent company during the year ended 31 December 2017 (2016 two). Two of the Directors had benefits accruing under the Group's personal pension schemes during the year ended 31 December 2017 (2016 two).

It is not practicable to apportion the emoluments of the Directors amongst subsidiary entities in relation to their qualifying services provided.

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017 £	2016 £
Hire Purchase	<u>-</u>	<u>(275)</u>

**6. IMPAIRMENT LOSSES**

	2017 £	2016 £
Impairment losses	<u>588,609</u>	<u>-</u>

In 2017 the Company recognised impairment losses on investments and goodwill which amounted to £379,000 and £209,609, respectively (see Notes 9 and 11).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**7. LOSS BEFORE TAXATION**

The loss before taxation is stated after charging:

	2017	2016
	£	£
Other operating leases	27,036	49,883
Land and building operating leases	627,657	536,216
Depreciation - owned assets	262,129	137,700
Loss on disposal of fixed assets	22,477	9,759
Auditors' remuneration	13,100	6,200
Exceptional costs	707,274	520,898
Amortisation of intangible assets	<u>117,985</u>	<u>8,454</u>

In 2017 the Company incurred £707,274 in respect of organisational restructuring to reduce the cost base, deliver efficiency improvements and outsource non-core activities.

**8. TAXATION**

**Analysis of tax income**

	2017	2016
	£	£
Current tax:		
Current tax	(289,639)	(251,000)
Amounts overprovided in previous years	<u>2,472</u>	<u>(114,424)</u>
Total current tax	<u>(287,167)</u>	<u>(365,424)</u>
Deferred tax:		
Origination and reversal of timing differences	(22,000)	(5,000)
Amounts overprovided in previous years	-	96,000
Impact of rate change	<u>-</u>	<u>4,000</u>
Total deferred tax	<u>(22,000)</u>	<u>95,000</u>
Total tax income in income statement	<u>(309,167)</u>	<u>(270,424)</u>

**Factors affecting the tax expense**

The tax assessed for the year is higher (2016 lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Loss before income tax	<u>(2,271,653)</u>	<u>(1,315,190)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 20%)	(437,293)	(263,038)
Effects of:		
Expenses not deductible for tax purposes	8,249	7,890
Impairment of goodwill not deductible for tax purposes	40,350	-
Impairment of investment not deductible for tax purposes	72,958	-
Adjustments to tax charge in respect of previous periods	2,472	(19,424)
Adjustments to tax charge in respect of previous periods - change in tax rates	-	4,000
Movement in deferred tax not provided	<u>4,097</u>	<u>148</u>
Tax income	<u>(309,167)</u>	<u>(270,424)</u>

**PSONA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>	<b>Computer software</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>			
At 1 January 2017	-	42,270	42,270
Disposals	-	(31,509)	(31,509)
Transfer (Note 22)	<u>482,758</u>	<u>159,654</u>	<u>642,412</u>
At 31 December 2017	<u>482,758</u>	<u>170,415</u>	<u>653,173</u>
<b>AMORTISATION</b>			
At 1 January 2017	-	19,437	19,437
Amortisation for year	-	117,985	117,985
Impairments	<u>209,609</u>	-	<u>209,609</u>
At 31 December 2017	<u>209,609</u>	<u>137,422</u>	<u>347,031</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>273,149</u>	<u>32,993</u>	<u>306,142</u>
At 31 December 2016	<u>-</u>	<u>22,833</u>	<u>22,833</u>

During the year, assets with a NBV of £642,412 were transferred to Psona Limited from other group companies (see Note 22).

Goodwill has been tested for impairment during the year and an impairment loss of £209,609 has been identified on the transferred goodwill from Psona Glasgow Limited.

**10. TANGIBLE FIXED ASSETS**

	<b>Short leasehold</b>	<b>Plant and machinery</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>			
At 1 January 2017	875,050	613,292	1,488,342
Additions	72,879	74,996	147,875
Disposals	-	(54,034)	(54,034)
Transfer (Note 22)	<u>12,000</u>	<u>39,397</u>	<u>51,397</u>
At 31 December 2017	<u>959,929</u>	<u>673,651</u>	<u>1,633,580</u>
<b>DEPRECIATION</b>			
At 1 January 2017	121,989	288,421	410,410
Charge for year	105,631	156,498	262,129
Eliminated on disposal	-	(31,557)	(31,557)
At 31 December 2017	<u>227,620</u>	<u>413,362</u>	<u>640,982</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>732,309</u>	<u>260,289</u>	<u>992,598</u>
At 31 December 2016	<u>753,061</u>	<u>324,871</u>	<u>1,077,932</u>

During the year, assets with a NBV of £51,397 were transferred to Psona Limited from other group companies (see Note 22).

**PSONA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2017	379,000
Impairments	<u>(379,000)</u>
At 31 December 2017	-
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>379,000</u>

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

**Public Creative Limited**

Nature of business:	Non-trading
Class of shares:	Ordinary
Country of incorporation:	England and Wales
% holding	100
Registered office:	Communis House, Manston Lane, Leeds LS15 8AH

The Company conducts annual impairment testing on the carrying value of investments using value in use calculations. At 31 December 2017, an impairment loss of £379,000 has been identified.

**12. DEBTORS**

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,463,506	804,534
Other debtors	379,766	154
Amounts owed by parent undertakings	6,622	-
Amounts owed by other group undertakings	210,707	168,415
Income tax	346,000	251,000
Prepayments and accrued income	<u>411,821</u>	<u>290,636</u>
	<u>2,818,422</u>	<u>1,514,739</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>144,000</u>	<u>75,000</u>
Aggregate amounts	<u>2,962,422</u>	<u>1,589,739</u>

**PSONA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. DEBTORS - continued**

Deferred tax asset

	2017	2016
	£	£
Accelerated capital allowances	64,000	(5,000)
Other timing differences	80,000	80,000
	<u>144,000</u>	<u>75,000</u>

The realisation of the above current year deferred tax asset is dependent upon the anticipated continuing profitability of the Group. The deferred tax asset is recognised as the Directors foresee future profits adequate to assume recovery.

The provision for deferred tax at 31 December 2017 has been made at rates between 17% and 19% depending upon the anticipated time of reversal. This reflects the legislation included in Finance Act 2016 reducing the rate of Corporation Tax to 17% from April 2020.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£	£
Bank loans and overdrafts (see note 15)	-	527,287
Trade creditors	282,041	537,588
Amounts owed to subsidiary undertaking	21,210	-
Amounts owed to other group undertakings	5,102,269	593,505
Amounts owed to parent undertakings	1,509,901	-
Social security and other taxes	202,014	96,115
Other creditors	2,344	29,295
Accruals and deferred income	833,532	908,536
	<u>7,953,311</u>	<u>2,692,326</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017	2016
	£	£
Accruals and deferred income	<u>398,372</u>	<u>457,525</u>

**15. FINANCIAL LIABILITIES - BORROWINGS**

	2017	2016
	£	£
Current:		
Bank overdrafts	<u>-</u>	<u>527,287</u>



**PSONA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**16. LEASING AGREEMENTS**

At 31 December 2017 the Company had annual commitments under non-cancellable operating leases as set out below.

	<b>2017</b>		<b>2016</b>	
	<b>Land and Buildings</b>	<b>Other items</b>	<b>Land and Buildings</b>	<b>Other items</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within 1 year	536,000	17,040	536,216	26,267
Within 2 to 5 years	2,144,000	15,517	2,144,864	4,610
After more than 5 years	1,519,890	-	2,055,495	-
	<u>4,199,890</u>	<u>32,557</u>	<u>4,736,575</u>	<u>30,877</u>

**17. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			<b>£</b>	<b>£</b>
22,127	Ordinary	£1.00	<u>22,127</u>	<u>22,127</u>

**18. RESERVES**

	<b>Retained earnings</b>	<b>Share premium</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2017	(191,481)	89,007	(102,474)
Deficit for the year	<u>(1,962,486)</u>	-	<u>(1,962,486)</u>
At 31 December 2017	<u>(2,153,967)</u>	<u>89,007</u>	<u>(2,064,960)</u>

**19. RELATED PARTY DISCLOSURES**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year the Directors were remunerated for services provided to the Group. This has been disclosed in Note 4. The Directors are considered to be key management personnel.

There were no other related party transactions in the year that require disclosure under IAS 24.

## PSONA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2017

#### 20. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Communisis plc, a company registered in England and Wales which prepares Group accounts. The immediate parent company is Psona Group Limited, also a company registered in England and Wales. The only group into which the results of the Company are consolidated is that headed by Communisis plc. Copies of the Group accounts of Communisis plc can be obtained by writing to:

The Secretary  
Communisis plc  
Communisis House  
Manston Lane  
Leeds  
LS15 8AH

#### 21. SHARE-BASED PAYMENT TRANSACTIONS

##### **The Communisis Long Term Incentive Plan 2007**

Certain Directors and managers are eligible to participate in this plan at the discretion of the Remuneration Committee.

The exercise price in respect of options granted under the scheme is £nil. There are no cash settlement alternatives. The share price measure, in respect of the 2015 grant of options, is calculated by reference to the average share price in the final three months of the three-year performance period in comparison with the average share price in the three months immediately preceding grant ('Base Share Price'). The Total Shareholder Return (TSR) measure, in respect of the 2017 grant of options, is measured by reference to the change in the Net Return Index of the Group over the three-year period commencing on the date of grant. The earnings per share performance will be measured on the basis of adjusted basic earnings per share (being earnings per share from continuing operations before exceptional items and amortisation of acquired intangible assets and the tax effect of these items). For attainment between certain annual growth rate thresholds, vesting will occur on a straight-line pro rata basis.

The Remuneration Committee will only sanction vesting of the awards granted if they are satisfied as to the Group's underlying financial performance in the performance period.

Year of grant	Vesting condition and period
2015	A maximum of 20% of the options will vest on the attainment of certain share price thresholds and the remaining 80% will vest on the attainment of growth in earnings per share over the financial years 2015-17. Vesting will be calculated by comparing earnings per share at the end of financial year 2017 to the earnings per share at 31 December 2014 and calculating the compound annual growth rate.
2016	All options will vest on the attainment of growth in earnings per share over the financial years 2016-18. Vesting will be calculated by comparing earnings per share at the end of financial year 2018 to the earnings per share at 31 December 2015 and calculating the compound annual growth rate.
2017	A maximum of 50% of the options will vest on the attainment of growth in TSR over three years from the date of grant and calculating the compound annual growth rate in this measure. The remaining 50% will vest on the attainment of growth in earnings per share over the financial years 2017-19. Vesting will be calculated by comparing earnings per share at the end of financial year 2019 to the earnings per share at 31 December 2016 and calculating the compound annual growth rate.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**21. SHARE-BASED PAYMENT TRANSACTIONS - continued**

The fair value of options granted under the Long Term Incentive Plan 2007 in the year to 31 December 2017 was estimated on the date of grant using a binomial simulation option pricing model, taking into account the terms and conditions upon which the options were granted. The following were used in the option pricing model:

	2017	2016
Share price at the date of grant	52.50p	47.00p
Estimated annualised dividend yield	4.6%	4.7%
Risk-free interest rate	0.2%	0.5%
Expected volatility	39.0%	38.7%
Weighted average fair value of the share options granted	33.38p	41.00p

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns which may occur. The expected volatility reflects historical volatility adjusted for future trends, which may also not necessarily be the actual outcome. Both the historical and expected volatilities reflect the volatility of the share prices of Communisis plc and comparator companies.

The weighted average remaining contractual life for the share options outstanding under the Long Term Incentive Plan as at 31 December 2017 is 1.52 years (2016 1.75 years).

**The Executive Share Option Scheme 2010**

Certain Directors and managers are eligible to participate in this scheme at the discretion of the Remuneration Committee. The exercise price of the options granted under this scheme is equal to the market value of the shares on the date of grant.

No options were granted under this scheme in the year ended 31 December 2017 or in the year ended 31 December 2016.

**The Sharesave Scheme**

All UK employees (including Executive Directors) are eligible to participate in the Communisis Sharesave Scheme. The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%. The options vest on the third anniversary of the commencement of the savings period. Any options which have not been exercised within six months of the vesting date lapse.

No options were granted under the Sharesave Scheme in 2017. The weighted average fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model. The following were used in the option pricing model and assumed that option holders will exercise their option at expiry:

	2017	2016
Share price at the date of grant	-	44.00p
Estimated annualised dividend yield	-	5.0%
Risk-free interest rate	-	0.6%
Expected volatility	-	38.9%
Exercise price for options exercisable three years after the date of grant	-	45.75p

The volatility has been determined by reference to Communisis plc's and comparator companies' historical volatility over a three-year period, adjusted for expected future trends, to reflect the share price of Communisis plc in the future. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The weighted average remaining contractual life for the share options outstanding under the Sharesave Scheme as at 31 December 2017 is 1.95 years (2016 1.63 years).

**PSONA LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017****21. SHARE-BASED PAYMENT TRANSACTIONS - continued**

The following table illustrates the number and movements in share options during the year:

	<b>2017 No</b>
Exercised during the year	<u>-</u>
Outstanding at the end of the year	<u><b>70,373</b></u>

There were no options outstanding and exercised in 2016.

**22. ACQUISITIONS**

On 1 January 2017, the trade and assets of Communisis Data Limited (formerly Communisis Data Intelligence Limited) and Psona Glasgow Limited were transferred at fair value through intercompany. On 1 October 2017 the trade and assets of Psona Films Limited was transferred at fair value through intercompany.

Details of the fair value of assets and liabilities transferred are set out below:

	<b>Fair Value £</b>
Intangible assets	642,412
Tangible assets	51,397
Debtors	1,983,229
Cash	3,200,439
Creditors	<u>(4,743,114)</u>
<b>Fair value of net assets acquired</b>	<u><b>1,134,363</b></u>
Satisfied by:	
Consideration	
Intercompany loan	<u><b>1,134,363</b></u>
<b>Fair Value at acquisition</b>	<u><b>1,134,363</b></u>

The acquired service offerings contributed turnover of £4,718,756 and operating profit before exceptional items of £280,595 from the date of acquisition to 31 December 2017.

**23. POST BALANCE SHEET EVENT**

On 10 July 2018 100 shares being the entire share capital of Public Creative Limited were transferred from the Company to Communisis Data Intelligence Limited (formerly known as Psona Group Limited).