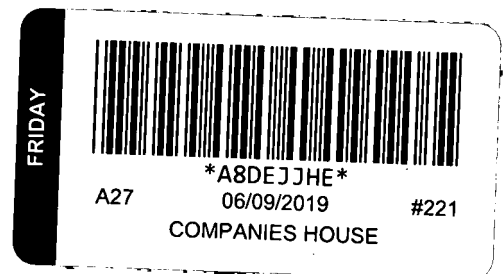


**CELLO SIGNAL GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



<b>CELLO SIGNAL GROUP LIMITED</b>
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**COMPANY INFORMATION**

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<b>Directors</b>	M Bentley J Rowley M Scott R Marsham B Hosey M Huynh
<b>Company secretary</b>	Mark Bentley
<b>Registered number</b>	03636143
<b>Registered office</b>	Queens House 8-9 Queen Street London EC4N 1SP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
<b>Bankers</b>	The Royal Bank of Scotland 62-63 Threadneedle Street London EC2R 8LA

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**CELLO SIGNAL GROUP LIMITED**

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

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The Directors submit their strategic report for the year ended 31 December 2018.

**PRINCIPAL ACTIVITIES**

The Company acts as an intermediate holding company for undertakings included in the Cello Signal operating group of Cello Health plc. The principal activity of the Company is the provision of management services to its subsidiaries and is not expected to change in the foreseeable future.

The Directors have provided an analysis of the entity's performance in the results section within the Directors' report.

**KEY PERFORMANCE INDICATORS (KPIs)**

KPIs are used within the business to manage the performance of the whole business, management and staff. The main financial KPIs relate to net revenue and operating profit.

During the year, the Company reported net revenue of £488,373 (2017: £526,295) which represents a decrease of 7.2% from prior year due to lower management recharges to group companies. Operating profit was up by 1,549.3% at £616,336 (2017: £37,370). Net revenue represents recharges to other companies in the group for the provision of management services. The significant increase in operating profit was mainly due to an intercompany dividend receivable of £615,996 during the year, as shown in Note 4 to the financial statements.

**RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the Company have been considered and the Directors believe that the appropriate controls and strategies are in place to reduce these to an acceptable level.

The Directors consider the principal risks of the business to be:

*Key staff*

Our directors and key staff of the company and its subsidiaries are fundamental to the servicing of existing business. All senior staff are subject to lock ins and long term incentive arrangements, and all staff participate in a group wide annual bonus scheme.

*Brexit risk*

While Brexit may impact general macro conditions, the Company has been considering the risk of Brexit directly on its employee relationships. Given that the Company is a holding company, management believes that the direct impact of Brexit on the Company will be limited.

**FINANCIAL RISK MANAGEMENT**

The Company's activities may be exposed to certain financial risks, including liquidity risk and credit risk.

*Liquidity risk*

The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient liquid financial assets to meet those requirements.

*Credit risk*

Credit risk predominately arises from trade receivables. The Company only trades with other companies within the Cello Health plc group, meaning the Company's exposure to bad debt is considered limited.

This report was approved by the board and signed on its behalf.



**M Bentley**  
Director

Date: 29 August 2019

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**CELLO SIGNAL GROUP LIMITED**

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

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The Directors present their report and the financial statements for the year ended 31 December 2018.

**Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make and accounting estimates that are reasonable and prudent; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

**Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Results and dividends**

The profit for the year, after taxation, amounted to £285,064 (2017 : £34,482).

A dividend of £500,000 was paid during the year (2017: nil).

**Directors**

The Directors of the Company who served during the year and up to the date of signing the financial statements were:

M Bentley  
J Rowley  
M Scott  
R Marsham  
B Hosey  
M Huynh

**Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

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**CELLO SIGNAL GROUP LIMITED**

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

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**Going concern**

The Company has been an intermediate holding company and will continue to provide management services during the course of the following year. The Company has considerable financial resources and is expected to be profitable next year. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415(A) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



M Bentley  
Director  
Date: 29 August 2019

# ***Independent auditors' report to the members of Cello Signal Group Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Cello Signal Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies..

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# **Independent auditors' report to the members of Cello Signal Group Limited (continued)**

## **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is 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.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.



Graham Lambert (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

30 August 2019

**CELLO SIGNAL GROUP LIMITED**

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

	Note	2018 £	2017 £
Net revenue	3	488,373	526,295
Administrative expenses		(488,033)	(488,925)
Exceptional administrative expenses		(336,156)	-
Other operating income	4	615,996	-
<b>Operating profit</b>	5	<b>280,180</b>	<b>37,370</b>
Interest receivable and similar income	8	10,525	9,914
<b>Profit before taxation</b>		<b>290,705</b>	<b>47,284</b>
Tax on profit	9	(5,641)	(12,802)
<b>Total comprehensive income for the year</b>		<b>285,064</b>	<b>34,482</b>

The notes on pages 9 to 20 form part of these financial statements.



**CELLO SIGNAL GROUP LIMITED**  
**REGISTERED NUMBER: 03636143**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
Tangible fixed assets	12	792	1,382
Investments	13	2,255,978	2,592,134
		<u>2,256,770</u>	<u>2,593,516</u>
<b>Current assets</b>			
Trade and other receivables	14	396,130	994,475
Cash and cash equivalents	15	508,755	195,020
		<u>904,885</u>	<u>1,189,495</u>
Creditors: amounts falling due within one year	16	(212,819)	(634,550)
<b>Net current assets</b>		<u>692,066</u>	<u>554,945</u>
<b>Net assets</b>		<u>2,948,836</u>	<u>3,148,461</u>
<b>Capital and reserves</b>			
Called up share capital		762,177	762,177
Share premium account		65,738	65,738
Share based payment reserve		111,847	82,746
Profit and loss account		2,009,074	2,237,800
<b>Total shareholders' funds</b>		<u>2,948,836</u>	<u>3,148,461</u>

The Company's financial statements on pages 6 to 19 have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 29 August 2019 and were signed on its behalf by:



**M Bentley**  
Director  
Date: 29 August 2019

The notes on pages 9 to 20 form part of these financial statements.

**CELLO SIGNAL GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 January 2017	762,177	65,738	57,597	2,184,647	3,070,159
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	34,482	34,482
<b>Total comprehensive income for the year</b>	-	-	-	34,482	34,482
Tax on share based payments recognised in equity	-	-	-	18,671	18,671
Share option charge	-	-	25,149	-	25,149
<b>Total transactions with owners</b>	-	-	25,149	18,671	43,820
At 31 December 2017 and 1 January 2018	762,177	65,738	82,746	2,237,800	3,148,461
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	285,064	285,064
<b>Total comprehensive income for the year</b>	-	-	-	285,064	285,064
Dividends: Equity capital (Note 10)	-	-	-	(500,000)	(500,000)
Tax on share based payments recognised in equity	-	-	-	(13,790)	(13,790)
Share option charge	-	-	29,101	-	29,101
<b>Total transactions with owners</b>	-	-	29,101	(513,790)	(484,689)
<b>At 31 December 2018</b>	<b>762,177</b>	<b>65,738</b>	<b>111,847</b>	<b>2,009,074</b>	<b>2,948,836</b>

The notes on pages 9 to 20 form part of these financial statements.

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

**1. Accounting policies**

**1.1 General information**

Cello Signal Group Limited is a holding company. The Company is a private company limited by shares, it is incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The address of its registered office is Queens House, 8-9 Queen Street, London, EC4N 1SP.

**1.2 Significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

**1.3 Impact of new international reporting standards, amendments and interpretations**

**a) New standards, amendments and interpretations**

A number of new standards, amendments and interpretations effective for the financial year beginning 1 January 2018 have been adopted. The adoption of these standards, amendments and interpretations has not led to changes in the Company's accounting policies or had a material impact on the financial position or performance of the Company. The following standards were adopted during the year:

i) IFRS 9, 'Financial Instruments', specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

**b) New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the financial statements of the Company. The standards relevant to the Company are as follows:

i) IFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about leasing activities of both lessees and lessors.

**1.4 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

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

**1. Accounting policies (continued)**

**1.5 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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 paragraph 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**1.6 Consolidation exemption**

The Company is a wholly owned subsidiary of Cello Health plc. It is included in the consolidated financial statements of Cello Health plc which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

**1.7 Going concern**

The Company has been an intermediate holding company and will continue to provide management services during the course of the following year. The Company has considerable financial resources and is expected to be profitable next year. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

**1.8 Net revenue**

Net revenue comprises of management charges chargeable on an accruals basis to group companies in the period.

**1.9 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

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**1. Accounting policies (continued)**

**1.10 Tangible fixed assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment	-	33%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

**1.11 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.12 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

The carrying value of investments is reviewed annually for impairment, or more frequently if the events or circumstances indicate a potential impairment.

**1.13 Trade and other receivables**

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Company holds trade receivables with the objective of collecting the contractual cash flows and so it measures them subsequently at amortised cost using the effective interest method less allowance.

**1.14 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**1.15 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**1.16 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

**1. Accounting policies (continued)**

**1.17 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

The Company is currently participating in the share option plan issued by Cello Health plc, the ultimate parent company. Under this plan, subsidiary employees are awarded share options subject to certain conditions.

**1.18 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**1.19 Finance income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**1.20 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

**1.21 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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**CELLO SIGNAL GROUP LIMITED**

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

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**2. Judgments in applying accounting policies and key sources of estimation uncertainty**

The Company makes estimates and judgements concerning the application of the Company's accounting policies and concerning the future. The resulting estimates may, by definition, vary from the actual results. Estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable.

The Directors consider that no judgements that could give rise to a material change in the financial statements in the next year have been applied.

The Directors consider the critical accounting estimate that could give rise to a material change in the financial statements in the next year is in relation to impairment of investments. The Company tests the carrying value of investments annually for impairment, in accordance with the Company's accounting policies. The recoverable amount is based on value-in-use calculations, which requires estimates of future cash flows and the discount rate to apply in order to calculate the present values of these cash flows.

**3. Net revenue**

The whole of the net revenue is attributable to the provision of management services.

All net revenue arose within the United Kingdom.

**4. Other operating income**

	2018 £	2017 £
Dividend income	615,996	-
	<u>615,996</u>	<u>-</u>

**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	590	405
Staff costs (note 6)	441,483	270,277
Auditors' remuneration – audit of the financial statements	5,800	5,100
Auditors' remuneration – other services	3,000	2,920
	<u>450,873</u>	<u>279,702</u>

Auditors' remuneration for other services is in relation to tax compliance services.

**CELLO SIGNAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**6. Employees**

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	356,675	197,127
Social security costs	45,534	26,848
Defined contribution pension cost	10,173	21,153
Share based payment charge	29,101	25,149
	<u>441,483</u>	<u>270,277</u>

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

	2018 No.	2017 No.
Directors	<u>2</u>	<u>1</u>

Directors are considered to be key management personnel.

**7. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	356,675	197,127
Company contributions to defined contribution pension schemes	10,173	21,153
	<u>366,848</u>	<u>218,280</u>

During the year retirement benefits were accruing to 2 Directors (2017 : 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £220,515 (2017 : £197,127).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £5,306 (2017 : £21,153).

Share based payment charges recognised in respect of Directors in the year amounted to £29,101 (2017: £25,149).

During the year, the highest paid Director did not exercise any share options (2017: nil).

M Bentley and M Scott are also directors of the immediate parent company, Cello Health plc, while R Marsham and B Hosey are also directors of Cello Signal Limited, and their remuneration is reflected in the financial statements of those entities. No costs in respect of their services as directors of the Company were recharged to the Company and it is not possible to make an accurate apportionment of their remuneration (2017: nil).



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**8. Interest receivable and similar income**

	2018 £	2017 £
Interest receivable from group companies	10,525	9,914

**9. Tax on profit**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	(5,296)	15,574
Adjustments to tax charge in respect of prior periods	1,070	1,166
<b>Total current tax</b>	(4,226)	16,740
<b>Deferred tax</b>		
Origination and reversal of timing differences	9,867	(3,938)
<b>Tax on profit</b>	5,641	12,802

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	290,705	47,284
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	55,234	9,102
<b>Effects of:</b>		
Expenses not deductible for tax purposes	64,769	1,630
Adjustments to tax charge in respect of previous periods	1,070	1,166
Other timing differences leading to an increase in taxation	1,608	904
Non-taxable income	(117,040)	-
<b>Total tax charge for the year</b>	5,641	12,802

Non deductible expenses predominantly consists of the impairment charge on the Company's investment in Brightsource Limited. Non-taxable income for the year comprises fully of dividend income received.

**CELLO SIGNAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Tax on profit (continued)**

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate of corporation tax to 17.00% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates in these financial statements.

**10. Dividends**

	2018 £	2017 £
Ordinary shares (0.67p per share)	500,000	-

On 21 December 2018, a dividend of 0.67p per share was declared and the total dividend of £500,000 was paid on 31 December 2018.

**11. Exceptional items**

	2018 £	2017 £
Impairment of investment	336,156	-
	336,156	-

On 31 October 2018, the business and assets of Brightsource Limited was transferred to Cello Signal Limited at net book value. The impairment charge reflects the resulting impairment of the Company's investment in Brightsource Limited.

**CELLO SIGNAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Tangible fixed assets**

	<b>Computer equipment £</b>
<b>Cost</b>	
At 1 January 2018	3,441
At 31 December 2018	3,441
<b>Accumulated depreciation</b>	
At 1 January 2018	2,059
Charge for the year	590
At 31 December 2018	2,649
<b>Net book amount</b>	
At 31 December 2018	792
At 31 December 2017	1,382

**13. Investments**

	<b>Investments in subsidiary companies £</b>
<b>Cost</b>	
At 1 January 2018	2,592,134
At 31 December 2018	2,592,134
<b>Impairment</b>	
Charge for the period	336,156
At 31 December 2018	336,156
<b>Net book amount</b>	
At 31 December 2018	2,255,978
At 31 December 2017	2,592,134

On 31 October 2018, the business and assets of Brightsource Limited was transferred to Cello Signal Limited at net book value. The impairment charge for the period reflects the resulting impairment of the Company's investment in Brightsource Limited.

**CELLO SIGNAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Country of incorporation</b>		<b>Holding</b>	<b>Principal activity</b>
Cello Signal Limited	UK	Directly held	100 %	Marketing and communication
The Leith Agency Limited	UK	Directly held	100 %	Dormant
Cello 123 Limited	UK	Directly held	100 %	Dormant
Blonde Digital Limited	UK	Indirectly held	100 %	Digital advertising and marketing
Stripe PR and Communications Limited	UK	Indirectly held	100 %	Strategic PR and communications
Tangible Data Limited	UK	Indirectly held	100 %	Dormant
Tanami Media Limited	UK	Indirectly held	100 %	Dormant
Human Innovation Limited	UK	Indirectly held	100 %	Market research and public opinion polling

<b>Name</b>	<b>Registered office</b>
Cello Signal Limited	86 Commercial Quay, Commercial Street, Edinburgh, EH6 6LX
The Leith Agency Limited	86 Commercial Quay, Commercial Street, Edinburgh, EH6 6LX
Cello 123 Limited	86 Commercial Quay, Commercial Street, Edinburgh, EH6 6LX
Blonde Digital Limited	86 Commercial Quay, Commercial Street, Edinburgh, EH6 6LX
Stripe PR and Communications Limited	86 Commercial Quay, Commercial Street, Edinburgh, EH6 6LX
Tangible Data Limited	Queens House, 8-9 Queen Street, London, England, EC4N 1SP
Tanami Media Limited	86 Commercial Quay Commercial Street, Edinburgh, Scotland, EH6 6LX
Human Innovation Limited	31 Old Nichol Street, London, England, E2 7HR

On 31 October 2018, the business and assets of Brightsource Limited was transferred to Cello Signal Limited at net book value. This resulted in an impairment of the Company's investment in Brightsource Limited.

The Directors are satisfied that the value in use of investments exceeds the carrying amount and therefore no impairment is required.

**14. Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	<b>333,434</b>	<b>921,957</b>
Prepayments	<b>2,786</b>	<b>2,741</b>
Deferred taxation (Note 17)	<b>59,910</b>	<b>69,777</b>
	<b>396,130</b>	<b>994,475</b>

Amounts owed by group undertakings are unsecured and repayable on demand, and carry interest at 1.50% (2017: 1.50%).

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**15. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	508,755	195,020
	<u>508,755</u>	<u>195,020</u>

**16. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	103	1,592
Amounts owed to group undertakings	122,942	501,784
Corporation tax	8,494	15,575
Other taxation and social security	78,844	107,204
Accruals	2,436	8,395
	<u>212,819</u>	<u>634,550</u>

Amounts owed to group undertakings are unsecured and repayable on demand, and carry interest at 1.50% (2017: 1.50%).

**17. Deferred taxation**

	2018 £	2017 £
At beginning of year	69,777	47,168
(Charged)/credited to the statement of comprehensive income	(9,867)	3,938
Recognised in equity	-	18,671
<b>At end of year</b>	<u><b>59,910</b></u>	<u><b>69,777</b></u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Decelerated capital allowances	98	311
Unrelieved share-based payment expense	59,812	69,466
	<u>59,910</u>	<u>69,777</u>

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**CELLO SIGNAL GROUP LIMITED**

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

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**18. Controlling party**

The immediate and ultimate parent company and controlling party is Cello Health plc, a company incorporated in England and Wales. Cello Health plc is the largest and smallest group into which the entity has been consolidated. Consolidated financial statements have been drawn up for Cello Health plc and are available from the following address:

Cello Health plc  
Queens House  
8-9 Queen Street  
London  
EC4N 1SP