

Zeno Communications (UK) Limited

Annual Report and Financial Statements

For the year ended 30 June 2017



Company Registration No. 05628110 (England and Wales)

Zeno Communications (UK) Limited

Company Information

| | |
|-----------------------------|---|
| Directors | A P Blasco I C Dobson V A Malanga |
| Secretary | J W Robinson (resigned 29 November 2016) |
| Company number | 05628110 |
| Registered office | The Lightbox 3rd Floor 127-133 Charing Cross Road London United Kingdom WC2H 0EW |
| Independent auditors | PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH |
| Bankers | JP Morgan Chase Bank, NA Chaseside Bournemouth BH7 7DB |

Zeno Communications (UK) Limited

Contents

| | Page(s) |
|-----------------------------------|----------------|
| Strategic Report | 1 - 3 |
| Directors' Report | 4 - 5 |
| Independent Auditors' Report | 6 - 8 |
| Profit and Loss Account | 9 |
| Balance Sheet | 10 |
| Statement of Changes in Equity | 11 |
| Notes to the Financial Statements | 12 – 32 |

Zeno Communications (UK) Limited

Strategic Report

For the year ended 30 June 2017

The directors present the strategic report and financial statements for the year ended 30 June 2017.

Review of the business

The principal activity of the company continued to be that of a public relations service, with a core focus on clients within the Consumer, Health, Corporate and Technology sectors.

Following company acquiring the group Jungle Communications (Holdings) Limited on 25 January 2016, and subsequent purchase of the trade and assets of 3 Monkeys Communications Limited on 31 March 2016, this year represents the first full year of trading of the larger business. In the period since the company purchase of the trade and assets of 3 Monkeys Communications Limited it has performed in line with expectations.

2017 saw gross profit of £7,513,897 reported, an increase of 150% on 2016 from £3,004,241, primarily due to this being the first year to include a full year of trading since the transfer of trade from 3 Monkeys Communications Limited on 31 March 2016.

An operating loss of £1,196,886 was reported in 2017 (2016: loss of £343,677), which includes amortisation of £1,335,860 (2016: £307,886) of intangible assets recognised on the transfer of trade and assets from 3 Monkeys Communications Limited on 31 March 2016. Also included were costs directly associated with the acquisition of Jungle Communications (Holdings) Limited of £341,077 (2016: £93,794). Therefore the underlying operating profit was £480,051 (2016: £58,004). The increase in underlying operating profit is due to a first full year of trading since the transfer of trade from 3 Monkeys Communications Limited on 31 March 2016.

Business environment

The public relations market in the United Kingdom is highly fragmented and competitive. Within this competitive market, on the back of the transfer of the trade and assets of 3 Monkeys Communications Limited, the company achieved a ranking of 42 in the 2017 PR Week league tables.

Future developments

The company is in a strong position to take advantage of new business opportunities. The acquisition of Jungle Communications (Holdings) Limited, and subsequent transfer of all clients and employees of 3 Monkeys Communications Limited in 2016 was successful, and since the financial year end a number of new client wins have seen Gross Profit continue to grow. We are confident that the company will exceed its current level of performance in the future.

Strategy

The company's overriding objective is to achieve attractive and sustainable rates of gross profit and operating profit growth primarily through maintaining and expanding its client base off the back of high quality work, and by leveraging its now much larger footprint within the UK public relations marketplace.

Zeno Communications (UK) Limited

Strategic Report (Continued)

For the year ended 30 June 2017

Principal risks and uncertainties

The principal risks and uncertainties faced by the company can be broadly grouped as business risk, competitive risk and financial risk.

Business risk

During any downturn in the United Kingdom economy, spending constraints of clients may significantly impact service-providing companies. The potential impact on Zeno Communications (UK) Limited will continue to be assessed on an ongoing basis. However, the company is currently continuing to secure new business and trade profitably (excluding amortisation costs).

The company has reviewed the business for potential successors for key management. If key management leave the company, the impact of their going is looked at to ensure that the company can maintain relationships with clients and that other staff can cover key areas of the business.

Business continuity plans are in place in case of technology disruption or lack of access to the premises. The company has expertise in business reputation that can be used if there are any issues arising for the company itself.

On 23 June 2016 Britain voted to leave the European Union. The full impact of this decision on our clients and their budgets remains unclear. We are monitoring this risk on an ongoing basis.

Competitive risk

The company seeks to mitigate its exposure to increased competition and the possibility of adverse market conditions by maintaining a wide portfolio of clients in different sectors who require a variety of Public Relations services. No one client represents more than 15% of the company's fee income.

Financial risk management

Credit risk

The company aims to mitigate liquidity risk by managing cash generation of its operations and operating cash collection targets across the company as well as performing credit checks on all new clients. The company's cash deposits are held with JP Morgan Chase Bank, NA.

Foreign exchange risk

Whilst all the turnover is generated in the UK, the company does earn some of its turnover in currencies other than sterling. It seeks to manage the exposure to fluctuations in exchange rates by having contracts in place which allow for fee adjustments should the exchange rate fluctuate by more than a reasonable percentage. The company also seeks to minimise its holdings of currencies other than sterling.

Further to the vote to leave the European Union, there was a devaluation in sterling and a period of exchange rate volatility. Depending on future developments exchange rates for sterling might remain more volatile, though they appear to have settled recently.

Liquidity and cash flow risk

The company is part of a group cash pooling arrangement that gives it access to funds to mitigate the cash flow risk. The company forecasts and monitors its cash flows on an ongoing basis to manage this risk.

Zeno Communications (UK) Limited

Strategic Report (Continued)

For the year ended 30 June 2017

Key performance indicators

The KPIs used to manage and review the trading operations of the company are:

| | 2017 | 2016 |
|---|------|------|
| Growth in gross profit (%) | 150% | 77% |
| Operating profit margin before tax, interest, amortisation of intangible assets, and costs directly associated with the acquisition of Jungle Communications (Holdings) Limited | 6% | 2% |
| Employment costs to gross profit ratio | 60% | 66% |

The primary KPI which drives operating profit margin is employment costs to gross profit ratio, with a target of 60%. In 2017 this was 60% and the Directors of the business are confident that this will be maintained or reduced in 2018 as the new, larger company demonstrates efficiencies through operating larger and more established sector practices within the company.

Employees

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so their views can be taken in to account when making decisions that are likely to affect their interests. Employee's involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its position as a leading public relations agency.

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company seeks to continue employment, either in the same or, if appropriate, an alternative position.

Approved by the board and signed by its order on 25 June 2018



A P Blasco
Director

Zeno Communications (UK) Limited

Directors' Report

For the year ended 30 June 2017

The directors present their annual report and audited financial statements for the year ended 30 June 2017. These financial statements for the year ended 30 June 2017 are prepared in accordance with section 1A of FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Principal activities

The principal activity of the company is the provision of public relations services.

General information

The company is a private limited company incorporated in England and Wales. The company's immediate parent company is Zeno Group The Netherlands BV, and the undertaking the directors regard as the ultimate controlling party is Daniel J. Edelman Holdings, Inc., a company incorporated in the United States of America.

Going concern

Whilst there were losses of £1,426,375 (2016: losses of £551,128) and net liabilities of £1,551,007 (2016: net liabilities of £124,632), the directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. They have taken into account the company's trading performance, available facilities and have reviewed the forecast cash flows for at least twelve months from the signing of these financial statements. As a result the directors believe that preparing the financial statements on a going concern basis is appropriate, given the directors have received written confirmation that Daniel J. Edelman Holdings Inc., will support the company for at least one year from signing the financial statements.

Post balance sheet events

On 13 December 2017, 125 ordinary B shares previously held by a minority shareholder were transferred to Zeno Group The Netherlands BV for a consideration amounting to £79,383 through the exercise of the option to sell as set out in the Articles of Association of the Company. On 20 December 2017, 15 ordinary C shares previously held by a minority shareholder were transferred to Zeno Group The Netherlands BV for a consideration amounting to £789,700 through the exercise of the option to sell as set out in the Articles of Association of the Company.

The amounts recognised as deferred consideration and provision for contingent compensation in relation to the acquisition of Jungle Communications (Holdings) Limited included assumptions around the sellers remaining employees of the Company for a period of time. Post year-end, one of the sellers ceased to be employed by the Company resulting in changes to the expected deferred consideration and provision for contingent compensation. Management have estimated the deferred consideration and provision for contingent compensation will have decreased by £0.3m based on these recent events.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A P Blasco
I C Dobson
V A Malanga

Dividends

The company did not pay a dividend in the year (2016: £nil).

Charitable donations

The company made donations totalling £784 (2016: £137) to charities during the financial year.

Qualifying third party indemnity provisions

The ultimate parent company, Daniel J. Edelman Holdings, Inc., maintained liability insurance throughout the year and up to the date of signature of the financial statements for the directors and officers of the company.

Zeno Communications (UK) Limited

Directors' Report (Continued)

For the year ended 30 June 2017

Independent auditors

PricewaterhouseCoopers LLP were appointed auditors to the company for the year ended 30 June 2017, and have expressed their willingness to continue in office.

Statement of directors' responsibilities

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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.

Disclosure of information to auditors

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) 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.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small company's exemption.

Approved by the board and signed by its order on 25 June 2018



A P Blasco
Director

Zeno Communications (UK) Limited

Independent Auditors' Report to the Members of Zeno Communications (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Zeno Communications (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 30 June 2017; the Profit and Loss Account and 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

Zeno Communications (UK) Limited

Independent Auditors' Report to the Members of Zeno Communications (UK) Limited

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.

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 30 June 2017 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.

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 5, 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. This description forms part of our auditors' report.

Zeno Communications (UK) Limited

Independent Auditors' Report to the Members of Zeno Communications (UK) Limited

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.

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.

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; and take advantage of the small companies exemption in preparing the Directors' Report. We have no exceptions to report arising from this responsibility.

Gemma Clark

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

25 June 2018

Zeno Communications (UK) Limited

Profit and Loss Account

For the year ended 30 June 2017

| | | 2017 £ | 2016 £ |
|--|------|--------------------|------------------|
| | Note | | |
| Turnover | 3 | 12,531,218 | 3,787,655 |
| Cost of sales | | (5,017,321) | (783,414) |
| Gross profit | | 7,513,897 | 3,004,241 |
| Administrative expenses | | (8,710,783) | (3,347,918) |
| Operating loss | 4 | (1,196,886) | (343,677) |
| Interest receivable and similar income | 8 | 669 | 426 |
| Interest payable and similar charges | 9 | (542,040) | (206,193) |
| Loss on ordinary activities before taxation | | (1,738,257) | (549,444) |
| Tax on loss on ordinary activities | 10 | 311,882 | (1,684) |
| Loss for the financial year | | (1,426,375) | (551,128) |
| Total comprehensive expense for the year | | <u>(1,426,375)</u> | <u>(551,128)</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Zeno Communications (UK) Limited

Balance Sheet


As at 30 June 2017

| | Note | 2017 £ | £ | 2016 £ | £ |
|--|------|--------------|---|--------------|---|
| Intangible assets | 11 | 3,385,661 | | 4,304,521 | |
| Tangible assets | 12 | 95,660 | | 117,917 | |
| Investments | 13 | 8,115,224 | | 8,115,224 | |
| | | 11,596,545 | | 12,537,662 | |
| Current assets | | | | | |
| Stocks | 14 | 298,227 | | 388,884 | |
| Debtors | 15 | 6,511,455 | | 5,058,300 | |
| Cash at bank and in hand | | 24,495 | | 134,782 | |
| | | 6,834,177 | | 5,581,966 | |
| Creditors: amounts falling due within one year | 16 | (6,191,684) | | (4,359,743) | |
| Net current assets | | 642,493 | | 1,222,223 | |
| Total assets less current liabilities | | 12,239,038 | | 13,759,885 | |
| Creditors: amounts falling due after more than one year | 17 | (13,198,204) | | (13,716,483) | |
| Provisions for liabilities | 18 | (591,841) | | (168,034) | |
| Net liabilities | | (1,551,007) | | (124,632) | |
| Capital and reserves | | | | | |
| Called up share capital | 20 | 15 | | 15 | |
| Share premium account | | 782,399 | | 782,399 | |
| Capital contributions | | 772,721 | | 772,721 | |
| Profit and loss account | | (3,106,142) | | (1,679,767) | |
| Total shareholders' deficit | | (1,551,007) | | (124,632) | |

The notes to the financial statements are on pages 12-32 and form part of the financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 9-32 were approved by the board of directors and authorised for issue on 25 June 2018 and are signed on its behalf by:



A P Blasco

Director

Company Registration No. 05628110

Zeno Communications (UK) Limited

Statement of Changes in Equity

For the year ended 30 June 2017

| | Note | Called up share capital £ | Share premium account £ | Capital contributions £ | Profit and loss account £ | Total shareholders' deficit £ |
|--|------|------------------------------------|----------------------------------|-------------------------------|------------------------------------|--|
| Balance at 1 July 2015 | | 14 | - | 772,721 | (1,128,639) | (355,904) |
| Year ended 30 June 2016: | | | | | | |
| Loss and total comprehensive expense for the financial year | | - | - | - | (551,128) | (551,128) |
| Issue of share capital | 20 | 1 | 782,399 | - | - | 782,400 |
| Balance at 30 June 2016 | | 15 | 782,399 | 772,721 | (1,679,767) | (124,632) |
| Year ended 30 June 2017: | | | | | | |
| Loss and total comprehensive expense for the financial year | | - | - | - | (1,426,375) | (1,426,375) |
| Balance at 30 June 2017 | | 15 | 782,399 | 772,721 | (3,106,142) | (1,551,007) |

Zeno Communications (UK) Limited

Notes to the Financial Statements

For the year ended 30 June 2017

1 Accounting policies

Company information

Zeno Communications (UK) Limited is a company limited by shares incorporated in England and Wales. The registered office is The Lightbox, 3rd Floor, 127-133 Charing Cross Road, London, United Kingdom, WC2H 0EW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with Section 1A of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on a going concern basis, under the historical cost convention. The principal accounting policies adopted are set out below.

The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

1.2 Exemptions for qualifying entities under FRS 102

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.

Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.

Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

Section 383 of the Company's Act 'Companies qualifying as small: parent companies' – the exemption of preparing consolidated financial statements.

Zeno Communications (UK) Limited is a subsidiary of Zeno Group The Netherlands BV and the results of Zeno Communications (UK) Limited are included in the consolidated financial statements of Zeno Group The Netherlands BV.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.3 Going concern

Whilst there were losses of £1,426,375 (2016: losses of £551,128) and net liabilities of £1,551,007 (2016: net liabilities of £124,632), the directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. They have taken into account the company's trading performance, available facilities and have reviewed the forecast cash flows for at least twelve months from the signing of these financial statements. As a result the directors believe that preparing the financial statements on a going concern basis is appropriate, given the directors have received written confirmation that Daniel J. Edelman Holdings Inc., will support the company for at least one year from signing the financial statements.

1.4 Turnover

The company recognises turnover when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the company's sales channels have been met, as described below.

Turnover represents amounts receivable for services, net of value added tax and trade discounts.

Revenue is normally recognised at the point at which the service is provided and the value can be determined. To the extent that services have been invoiced but the service has not been provided in the financial year covered by these financial statements, that revenue will be held as deferred income until the service has been provided.

Unbilled revenue on client assignments is included as accrued income within trade and other receivables. Where individual on account billings exceed revenue recognised and costs incurred to date on client assignments, the excess is classified as deferred income within trade and other payables. Timing differences and billing discrepancies can arise where there are differences between billing arrangements (i.e. invoicing) and the timing of the delivery of the service and thus the revenue recognition. These can result in debits or credits and thus assets and liabilities. Any assets arising relating to accrued income are investigated and written off immediately if deemed irrecoverable. Liabilities relating to deferred income are held for a period of up to two years during which time they are written back to revenue if, after investigation it is found that no further liability exists.

Costs of sales comprise third party costs incurred to service client projects. Therefore gross profit represents net fees and commissions earned during the year.

1.5 Intangible assets and amortisation

Intangible assets, including goodwill, are stated at the lower of their cost or recoverable amount. Any permanent diminution in value is taken to the profit and loss account.

Goodwill has arisen from the transfer of trade from 3 Monkeys Communications Limited to Zeno Communications (UK) Limited. Amortisation of intangible assets is made on the following bases:

| | |
|--|-----------------------|
| Goodwill | 5 years straight line |
| Trademarks, customer lists and other intangible assets | 3 years straight line |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------------------------------|---------------------------------|
| Leasehold improvements | Over the period of the lease |
| Fixtures, fittings and equipment | between 15% and 33.3% per annum |
| Computer equipment | 33.3% per annum |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

1.7 Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.9 Stocks

Stocks consist of work in progress, which represents unbilled third-party direct costs and is valued at the lower of cost and net realisable value.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets, including cash and bank balances, and amounts owed from group and parent undertakings are initially recognised at transaction price.

Basic financial liabilities, including trade and other payables and amounts owed to group and parent undertakings are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.15 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits such as employee health and travel insurance, are recognised as an expense in the period in which the service is received.

ii. Defined contribution pension plans

The company operates a defined contribution scheme for directors and employees. A defined contribution plan is a pension plan under which the group 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 when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

i. Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

1.18 Interest

Interest receivable and payable are recorded in the profit and loss account as they accrue.

1.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies (continued)

1.20 Share premium account

The share premium account represents the amounts paid for the shares of the company above their nominal value.

1.21 Capital contributions account

The capital contributions account represents the amounts paid to the company from other companies within the group, which are no longer treated as intercompany loans to the company.

1.22 Deferred consideration

Deferred consideration on the acquisition of Jungle Communications (Holdings) Limited represents measurable anticipated future consideration payments, discounted at a 10% internal rate of return.

2 Critical judgements and estimation uncertainty

a. Critical judgements in applying the group's accounting policies

Revenue recognition judgements are detailed in the accounting policy note. The company reviews the work that has been completed to determine the amount of revenue that should be recognised based on the stage of completion.

Judgements are made when assessing the accruals and provisions included within the financial statements. The consequent impairments of debtors and work in progress are shown within the operating profits note where applicable.

b. Key accounting estimates and assumptions

A provision has been made for deferred consideration due on the acquisition of Jungle Communications (Holdings) Limited. This is based on estimates and assumptions of future trading.

The company has reviewed the investments and made provision for impairments as necessary.

A valuation of the intangible assets of 3 Monkeys Communications Limited was made following the transfer of trade and assets from 3 Monkeys Communications Limited. The company has reviewed the intangible assets recognised on the transfer of the trade of 3 Monkeys Communications Limited and made provision for impairments as necessary.

The company has an operating lease on the property it operates the business from and has estimated the dilapidations that may be due at the end of these lease based on contractual obligations.

3 Turnover

Turnover, gross profit and loss on ordinary activities before taxation are generated entirely in the UK.

An analysis of the company's turnover is as follows:

| | 2017 | 2016 |
|-------------------------------------|------------|-----------|
| | £ | £ |
| Turnover | | |
| Public relations services in the UK | 12,531,218 | 3,787,655 |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

4 Operating loss

| | Note | 2017 £ | 2016 £ |
|---|------|-----------|-----------|
| Operating loss for the year is stated after charging/(crediting): | | | |
| Exchange losses/(gains) | | 4,017 | (19,209) |
| Auditors' remuneration - audit and tax services | 5 | 58,367 | 108,023 |
| Depreciation of owned tangible fixed assets | 12 | 61,743 | 78,467 |
| Amortisation of intangible assets | 11 | 1,335,860 | 307,886 |
| Operating lease charges | | 473,576 | 175,893 |

5 Auditors' remuneration

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Fees payable to the company's auditors and its associates: | | |
| For audit services | | |
| Audit of the company's financial statements | 51,167 | 104,023 |
| For other services | | |
| Tax services | 7,200 | 4,000 |

The auditors' remuneration includes the audit and tax fees for 3 Monkeys Communications Limited for this year and 2016, and Jungle Communications (Holdings) Limited, and Galileo Digital Media (Resurrected) Limited for 2016.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2017 Number | 2016 Number |
|-----------------------|----------------|----------------|
| PR professional staff | 60 | 26 |
| Administrative | 9 | 2 |
| | 69 | 28 |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

6 Employees (continued)

Their aggregate remuneration comprised:

| | 2017 £ | 2016 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,966,269 | 1,757,835 |
| Social security costs | 464,273 | 171,680 |
| Other pension costs | 110,487 | 46,270 |
| | <u>4,541,029</u> | <u>1,975,785</u> |

7 Directors' remuneration

During the year, no emoluments were paid in respect of qualifying services of the directors and key management personnel (2016: £nil). However the directors received emoluments from other group undertakings (Zeno Group, Inc., Daniel J. Edelman Holdings, Inc., and Daniel J. Edelman Limited) in respect of their services to the group. No share options were granted or exercised during the year (2016: £nil).

8 Interest receivable and similar income

| | 2017 £ | 2016 £ |
|---|------------|------------|
| Interest receivable from group undertakings | <u>669</u> | <u>426</u> |

9 Interest payable and similar charges

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Interest payable to group undertakings | 357,572 | 126,832 |
| Unwinding of discounted future cash flows in relation to payments due for the acquisition of Jungle Communications (Holdings) Limited | <u>184,468</u> | <u>79,361</u> |
| | <u>542,040</u> | <u>206,193</u> |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

10 Tax on loss on ordinary activities

| | 2017 £ | 2016 £ |
|---|------------------|-----------------|
| Current tax | | |
| UK corporation tax on loss for the current year | (46,911) | (15,562) |
| Adjustments in respect of prior years | (48,077) | 1,350 |
| Total current tax | <u>(94,988)</u> | <u>(14,212)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (150,002) | 13,555 |
| Adjustment in respect of prior years | (68,483) | 4,684 |
| Effect of changes in tax rates | 1,591 | (2,343) |
| Total deferred tax | <u>(216,894)</u> | <u>15,896</u> |
| Total tax per profit and loss account | <u>(311,882)</u> | <u>1,684</u> |

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

| | 2017 £ | 2016 £ |
|---|------------------|--------------|
| Loss on ordinary activities before taxation | (1,738,257) | (549,444) |
| <i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 19.25%)</i> | (343,306) | (105,768) |
| Expenses not deductible | 148,470 | 94,327 |
| Change in unrecognised deferred tax assets | - | 16,461 |
| Income that is not taxable | (2,077) | - |
| Adjustment in respect of prior years | (116,560) | (993) |
| Tax rate changes | 1,591 | (2,343) |
| Tax charge for the year | <u>(311,882)</u> | <u>1,684</u> |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

11 Intangible assets

| | Goodwill | Trademarks and customer lists | Other intangible assets | Total |
|---|-----------|--|-------------------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 July 2016 | 2,294,407 | 2,158,000 | 160,000 | 4,612,407 |
| Adjustment in relation to the hive up of the trade and assets of 3 Monkeys Communications Limited * | 417,000 | - | - | 417,000 |
| At 30 June 2017 | 2,711,407 | 2,158,000 | 160,000 | 5,029,407 |
| Accumulated amortisation and impairment | | | | |
| At 1 July 2016 | 114,720 | 179,833 | 13,333 | 307,886 |
| Amortisation charged for the year | 563,192 | 719,334 | 53,334 | 1,335,860 |
| At 30 June 2017 | 677,912 | 899,167 | 66,667 | 1,643,746 |
| Carrying amount | | | | |
| At 30 June 2017 | 2,033,495 | 1,258,833 | 93,333 | 3,385,661 |
| At 30 June 2016 | 2,179,687 | 1,978,167 | 146,667 | 4,304,521 |

The intangible assets recognised represent the transfer of the trade of 3 Monkeys Communications Limited to the company on 31 March 2016. This was accounted for by the acquisition method. Assets and liabilities transferred under this arrangement totalled net assets of £3,502,817. No fair value adjustments were required. Where identifiable and measurable, specific intangible assets were recognised, as shown above, with the balance recognised as goodwill. Other intangible assets represents non-compete clauses in place over key management personnel. Total consideration was £8,115,224 and was settled by an intercompany loan note payable to 3 Monkeys Communications Limited.

* The adjustment noted above is in relation to the recognition of deferred tax liabilities on the intangibles acquired in relation to the hive up of the trade and assets of 3 Monkeys Communications Limited which occurred in the prior year; the recognition of this deferred tax liability and its utilisation are included in the taxation note 10.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

12 Tangible assets

| | Leasehold improvements | Fixtures, fittings and equipment | Computer equipment | Total |
|--|---------------------------|--|-----------------------|---------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 July 2016 | 1,515 | 69,049 | 178,303 | 248,867 |
| Additions | - | 15,917 | 23,569 | 39,486 |
| At 30 June 2017 | 1,515 | 84,966 | 201,872 | 288,353 |
| Accumulated depreciation and impairment | | | | |
| At 1 July 2016 | 122 | 34,906 | 95,922 | 130,950 |
| Depreciation charged in the year | 363 | 16,570 | 44,810 | 61,743 |
| At 30 June 2017 | 485 | 51,476 | 140,732 | 192,693 |
| Net book value | | | | |
| At 30 June 2017 | 1,030 | 33,490 | 61,140 | 95,660 |
| At 30 June 2016 | 1,393 | 34,143 | 82,381 | 117,917 |

13 Investments

| | 2017 £ | 2016 £ |
|-----------------------------|-----------|-----------|
| Investments in subsidiaries | 8,115,224 | 8,115,224 |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

13 Investments (continued)

Movements in fixed asset investments

| | Shares in group undertakings £ |
|--------------------------|---|
| Cost or valuation | |
| At 1 July 2016 | 8,115,224 |
| At 30 June 2017 | 8,115,224 |
| Carrying amount | |
| At 30 June 2017 | 8,115,224 |
| At 30 June 2016 | 8,115,224 |

Investments represent the acquisition of the Jungle Communications (Holdings) Limited group in January 2016. The group included 3 Monkeys Communications Limited, a non specialist PR agency with large consumer and corporate practices. On 31 March 2016 the trade and assets of 3 Monkeys Communications Limited were transferred to the company, leaving the Jungle group without any companies that were actively trading. The investment value is maintained by a loan note of £8,115,224 held by 3 Monkeys Communications Limited.

14 Stocks

| | 2017 £ | 2016 £ |
|------------------|-----------|-----------|
| Work in progress | 298,227 | 388,884 |

Work in progress represents unbilled third-party direct costs and is valued at the lower of cost and net realisable value, and is stated after provisions for impairment of £nil (2016: £nil). The amount written off to the profit and loss account for the year is £18,642 (2016: £5,263).

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

15 Debtors

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 4,409,807 | 1,805,140 |
| Deferred tax asset | - | 1,127 |
| Corporation tax | 200,852 | - |
| Amounts owed by group undertakings | 687,641 | 2,403,419 |
| Other debtors | 565,536 | 335,296 |
| Prepayments and accrued income | 647,619 | 513,318 |
| | <u>6,511,455</u> | <u>5,058,300</u> |

Trade debtors are stated after provisions for impairment of £19,063 (2016: £15,000). The amount written off to the profit and loss account for the year is £4,063 (2016: £15,000).

Amounts owed by group undertakings include £184,588 (2016: £1,695,715) held under a group cash pooling arrangement which bears interest at a market rate. All other amounts are unsecured, non-interest bearing and are repayable under normal trading terms.

16 Creditors: amounts falling due within one year

| | 2017 £ | 2016 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 799,372 | 391,437 |
| Amounts owed to group undertakings | 1,385,695 | 507,032 |
| Corporation tax | - | 59,136 |
| Taxation and social security costs | 378,998 | 234,735 |
| Other creditors | 709,440 | 709,440 |
| Accruals and deferred income | 2,918,179 | 2,457,963 |
| | <u>6,191,684</u> | <u>4,359,743</u> |

Amounts owed to group undertaking includes loans from group undertakings of £nil (2016: £413,192), which are unsecured, interest bearing at 0.70% (2016: between 0.70% and 0.75%), and repayable within one year. All other amounts owed to group undertakings are unsecured, non-interest bearing and are repayable under normal trading terms.

Other creditors represents £709,440 (2016: £709,440) of deferred consideration for the acquisition of Jungle Communications (Holdings) Limited, discounted at a rate of 10% to represent net present value of future cash flows. Refer to note 26 for non adjusting post balance sheet events impacting the deferred consideration.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

17 Creditors: amounts falling due after more than one year

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Amounts due to fellow group undertakings | 12,485,223 | 12,485,223 |
| Other creditors | 712,981 | 1,231,260 |
| | <u>13,198,204</u> | <u>13,716,483</u> |

Other creditors represents £712,981 (2016: £1,231,260) of deferred consideration for the acquisition of Jungle Communications (Holdings) Limited, discounted at a rate of 10% to represent net present value of future cash flows. Refer to note 26 for post balance sheet events impacting the deferred consideration. Included within amounts due to group undertakings are loans of £4,370,000 (2016: £4,370,000) and £8,115,223 (2016: £8,115,223) which are unsecured, interest bearing at between 2.19% and 3.05% (2016: between 2.43% and 2.45%) and is repayable no earlier than 30 June 2018. There is no expectation that this loan will need to be repaid on this date, or before, and the company have agreed with the counterparty an expectation to extend the term of the loan for a further 12 months, and therefore the balance remains classified as falling due after more than one year.

18 Provisions for liabilities

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Provision for contingent compensation | 292,862 | 68,034 |
| Deferred tax liability | 198,979 | - |
| Dilapidations provision for property lease | 100,000 | 100,000 |
| | <u>591,841</u> | <u>168,034</u> |

Provision for contingent payments represents £292,862 (2016: £68,034) of further estimated consideration for the acquisition of Jungle Communications (Holdings) Limited, discounted at a rate of 10% to represent net present value of future cash flows. Refer to note 26 for post balance sheet events impacting the contingent compensation. The deferred tax liability relates predominantly to the intangibles acquired in the 2016 hive up of trade and assets, as detailed in note 11.

Movements in deferred tax

| | Deferred tax asset/(liability) £ |
|-------------------------------------|--|
| At 1 July 2016 | 1,127 |
| Adjustment in respect of prior year | (348,517) |
| Deferred tax credit for the year | 148,411 |
| At 30 June 2017 | <u>(198,979)</u> |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

18 Provisions for liabilities (continued)

The amounts of deferred taxation assets/(liabilities) recognised are as follows:

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Other timing differences | 18,936 | (15,062) |
| Depreciation (more)/less than capital allowances | 11,953 | 16,189 |
| Adjustment in relation to fair value revaluation of intangible assets | (229,868) | - |
| Total deferred tax asset/(liability) | (198,979) | 1,127 |

The directors believe that the timing differences giving rise to the deferred tax liability balance above will reverse in future years. £131,353 (2016: £nil) of the adjustment in relation to fair value revaluation of intangible assets is expected to reverse in the next period.

19 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £110,487 (2016: £46,270).

20 Called up share capital

| | 2017 £ | 2016 £ |
|--|--------------|--------------|
| Ordinary share capital | | |
| Authorised | | |
| 1 (2016: 1) Ordinary of £1 each | 1 | 1 |
| 10,000 (2016: 10,000) Ordinary B of 10p each | 1,000 | 1,000 |
| 150 (2016: 150) Ordinary C of 10p each | 15 | 15 |
| | <u>1,016</u> | <u>1,016</u> |
| Issued and fully paid | | |
| 1 (2016: 1) Ordinary of £1 each | 1 | 1 |
| 125 (2016: 125) Ordinary B of 10p each | 13 | 13 |
| 15 (2016: 15) Ordinary C of 10p each | 1 | 1 |
| | <u>15</u> | <u>15</u> |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

20 Called up share capital (continued)

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at the general meetings of the company.

The votes attributable to 'B' shares as a class of shares are counted as 5% of the total votes cast at a shareholders' meeting. The 'B' shares have no right to participate in any dividend.

The votes attributable to 'C' shares as a class of shares are counted as 5% of the total votes cast at a shareholders' meeting. The 'C' shares have no right to participate in any dividend.

On 1 June 2016, the company issued 15 Ordinary C shares with a nominal value of 10p each for a consideration of £782,400. The votes attributable to 'C' shares as a class of shares are counted as 5% of the total votes cast at a shareholders meeting. The 'C' shares have no right to participate in any dividend.

Transfers of 'B' and 'C' ordinary shares occurred post year end. Refer to note 26 on non adjusting post balance sheet events for further details.

21 Contingent liabilities

The company together with certain other Edelman group companies has entered into a cash pooling arrangement with JP Morgan Chase Bank, NA. JP Morgan Chase Bank, NA has the right to apply positive cash balances of the company against indebtedness or liabilities of any other companies named in the agreement. This facility is limited to the amount in an overdraft agreement with JP Morgan Chase Bank, NA which is guaranteed by Daniel J. Edelman Inc.

Under the terms of the acquisition of Jungle Communications (Holdings) Limited on 25 January 2016 further contingent compensation may be paid based on the attainment of specific earnings before interest and tax targets in the 4 years following the anniversary of the deal. These payments are payable on the second, third and fourth anniversary of the acquisition based on the earnings before interest and tax of the preceding twenty-four months. Due to the nature of the agreement it is difficult to accurately measure the value of this compensation, but it will be measured on a best estimate basis and charged to the profit and loss account in the period during which the contingent compensation is accrued. Accordingly £224,828 has been charged to the profit and loss account in 2017 (2016: £68,034).

Under the terms of the acquisition of Jungle Communications (Holdings) Limited on 25 January 2016 compensation is available to key employees of the company based on the attainment of gross profit and earnings before interest and tax targets in the 3 years following the anniversary of the deal. This additional compensation is capped at a total of £400,000 and is payable on the first, second and third anniversary of the acquisition based on the gross profit and earnings before interest and tax of the preceding twelve months. Due to the nature of the agreement it is difficult to accurately measure the value of this compensation, but it will be measured on a best estimate basis and charged to the profit and loss account in the period during which the contingent compensation is accrued. Accordingly £68,997 has been charged to the profit and loss account in 2017 (2016: £29,560).

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2017 £ | 2016 £ |
|----------------------------|------------------|------------------|
| Within one year | 474,166 | 473,036 |
| Between two and five years | 1,106,660 | 1,568,972 |
| More than five years | 885 | - |
| | <u>1,581,711</u> | <u>2,042,008</u> |

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

23 Related party transactions

As permitted by FRS 102 Section 33 "related party disclosures" the financial statements do not disclose transactions with any wholly owned subsidiary undertakings.

At the year end, the company was owed £nil in trade payables by Zeno Group, Inc. (2016: £19,527). At the year end, Zeno Group, Inc. was owed £198,388 by the company (2016: £nil). During the year costs of £645,619 were charged to the company by Zeno Group, Inc. (2016: £129,184). During the year sales of £227,588 were made to the company by Zeno Group, Inc. (2016: £30,885). During the year sales of £150,105 were made to Zeno Group, Inc. by the company (2016: £63,982).

At the year end, Zeno Group, Inc. was owed £4,370,000 by the company in the form of a loan used to fund the acquisition of the group of companies headed by Jungle Communications (Holdings) Limited (2016: £4,370,000). The loan is unsecured, interest bearing and not repayable within one year. During the year interest costs of £103,461 were charged to the company by Zeno Group, Inc. (2016: £48,556). At the year end, Zeno Group, Inc. was owed £152,017 for interest payable on the loan (2016: £48,556).

At the year end, Edelman Europe Holdings BV was owed £nil by the company in the form of a loan used to fund the working capital requirements of the company (2016: £413,192). The loan is unsecured, interest bearing and repayable within one year. During the year interest costs of £390 were charged to the company by Edelman Europe Holdings BV (2016: £2,769).

At the year end, the company was owed £1,350 by Edelman USA (2016: £754). During the year costs of £1,076 were charged to the company by Edelman USA (2016: £7,802).

At the year end, Daniel J. Edelman Inc was owed £69,117 by the company (2016: £nil). During the year costs of £221,307 were charged to the company by Daniel J. Edelman Inc (2016: £nil).

At the year end, Daniel J. Edelman Limited was owed £118,970 by the company (2016: £18,052). During the year costs of £395,724 were charged to the company by Daniel J. Edelman Limited (2016: £162,895). During the year costs of £182 were charged to the company by Daniel J. Edelman Limited (2016: £nil). During the year sales of £10,796 were made to Daniel J. Edelman Limited by the company (2016: £nil).

At the year end, PR21 Italia Srl was owed £27,877 by the company (2016: £7,663). During the year sales of £91,074 were made to the company by PR21 Italia Srl (2016: £7,663).

At the year end, Zeno SLU was owed £13,290 by the company (2016: £4,854). During the year sales of £97,266 were made to the company by Zeno SLU (2016: £4,854).

At the year end, Edelman Sarl was owed £nil by the company (2016: £5,830). During the year sales of £24,725 were made to the company by Edelman Sarl (2016: £22,649).

At the year end, Zeno Sarl was owed £20,072 by the company (2016: £nil). During the year sales of £116,395 were made to the company by Zeno Sarl (2016: £nil).

At the year end, the company was owed £3,995 by Edelman India Private Limited (2016: £48,739). During the year sales of £98,905 were made to Edelman India Private Limited by the company (2016: £95,244).

At the year end, Edelman GMBH was owed £nil by the company (2016: £nil). During the year sales of £67,441 were made to the company by Edelman GmbH (2016: £nil).

At the year end, F42 Germany GMBH was owed £34,826 by the company (2016: £nil). During the year sales of £85,324 were made to the company by F42 Germany GMBH (2016: £7,294).

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

23 Related party transactions (continued)

At the year end Edelman Sweden was owed £nil by the company (2016: £nil). During the year sales of £2,700 were made to the company by Edelman Sweden (2016: £nil).

At the year end Zeno Singapore was owed £nil by the company (2016: £nil). During the year costs of £10,166 were charged to the company by Zeno Singapore (2016: £nil).

At the year end Edelman Hong Kong was owed £nil by the company (2016: £nil). During the year sales of £8,753 were made to Edelman Hong Kong by the company (2016: £nil).

At the year end Edelman China was owed £nil by the company (2016: £nil). During the year sales of £5,566 were made to Edelman China by the company (2016: £nil).

All the balances and transactions detailed above are with parties who are related by virtue of common control.

24 Controlling party

Zeno Communications (UK) Limited is a subsidiary of Zeno Group The Netherlands BV, an entity incorporated in the Netherlands.

The smallest group in which the results of the company are consolidated is that headed by Zeno Group The Netherlands BV and the largest group in which the results of the company are consolidated is that headed by Daniel J. Edelman Holdings, Inc. The consolidated group financial statements can be obtained from 200 East Randolph Drive, Suite 6300, Chicago, Illinois, United States of America.

The ultimate controlling party is Daniel J. Edelman Holdings, Inc., an entity incorporated in United States of America.

Zeno Communications (UK) Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

25 Subsidiaries

These financial statements are separate company financial statements for Zeno Communications (UK) Limited.

Details of the company's subsidiaries at 30 June 2017 are as follows:

| Name of undertaking and country of incorporation or residency | Nature of business | Class of shareholding | % Held | |
|---|--------------------|-----------------------|----------|----------|
| | | | Direct | Indirect |
| Jungle Communications (Holdings) Limited | England & Wales | Public Relations | Ordinary | 100 |
| 3 Monkeys Communications Limited | England & Wales | Public Relations | Ordinary | |
| Gorilla Talk Limited | England & Wales | Dormant company | Ordinary | 100 |
| Agnostic PR Limited | England & Wales | Dormant company | Ordinary | 100 |

The registered address for all the companies listed above is The Lightbox, 127-133 Charing Cross Road, London, WC2H 0EW.

26 Non adjusting post balance sheet events

Transfer of shares

On 13 December 2017, 125 ordinary B shares previously held by a minority shareholder were transferred to Zeno Group The Netherlands BV for a consideration amounting to £79,383 through the exercise of the option to sell as set out in the Articles of Association of the Company.

On 20 December 2017, 15 ordinary C shares previously held by a minority shareholder were transferred to Zeno Group The Netherlands BV for a consideration amounting to £789,700 through the exercise of the option to sell as set out in the Articles of Association of the Company.

As a result of the above share transfer transactions, the Company is now 100% owned by Zeno Group The Netherlands BV.

Deferred consideration and provision for contingent compensation

The amounts recognised as deferred consideration and provision for contingent compensation in relation to the acquisition of Jungle Communications (Holdings) Limited included assumptions around the sellers remaining employees of the Company for a period of time. Post year-end, one of the sellers ceased to be employed by the Company resulting in changes to the expected deferred consideration and provision for contingent compensation. Management have estimated the deferred consideration (included in Other Creditors) and provision for contingent compensation will have decreased in total by £313,674 based on these recent events.