

**CUBO COMMUNICATIONS GROUP LIMITED**

**Group Strategic Report,**

**Directors' Report and**

**Consolidated Financial Statements**

**for the Year Ended 31 December 2020**

**CUBO COMMUNICATIONS GROUP LIMITED**

**Contents of the Consolidated Financial Statements  
for the year ended 31 December 2020**

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**CUBO COMMUNICATIONS GROUP LIMITED**

**Company Information  
for the year ended 31 December 2020**

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<b>Directors:</b>	D K Simpson K M H Ross
<b>Registered office:</b>	New Derwent House, 69-73 Theobalds Road London London WC1X 8TA
<b>Registered number:</b>	05433076 (England and Wales)
<b>Accountants:</b>	Haines Watts (City) LLP New Derwent House 69-73 Theobalds Road London WC1X 8TA

# CUBO COMMUNICATIONS GROUP LIMITED

## Chief Executive's Statement for the year ended 31 December 2020

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### HEADLINES

- 2020 operating loss £163,589, down from profit of £721,320 in 2019.
- Gross profit margins increased from 58.9% in 2019 to 60.5% in 2020.
- COVID19 had a significant effect on the group turnover in the year

### REVIEW OF THE YEAR

2020 was, of course, a year for the Group which was dominated by Covid-19.

The unprecedented impact on client budgets forced a focus on stabilisation and survival. We took difficult decisions early and I am therefore able to report that, although we eventually recorded a loss for the year, it was a relatively modest one.

All parts of the Group were impacted, but all parts of the Group fought back hard and entered 2021 as leaner, more efficient units.

Despite everything we never wavered in our relentless quest for new business opportunities, and I am pleased to report that 2021 to date has been encouraging as a result of that commitment, as well as recovering budgets across our client base. An ongoing challenge now is to ensure that we continue to recruit high quality staff to capitalise on our recovery.

During the course of 2021 we have, like many others, relocated our operations to a more flexible, cost effective office base which has not only reduced costs but helped our teams adapt well to new ways of working efficiently in a pandemic/ post-pandemic world.

My thanks, as ever, go to my fellow board members and all the employees of the Group for their continued support and commitment in such difficult times.



Kerry Simpson  
Chief Executive Officer

Date: 14 December 2021

# CUBO COMMUNICATIONS GROUP LIMITED

## Group Strategic Report for the year ended 31 December 2020

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The directors present the Group Strategic Report and financial statements for the year ended 31 December 2020.

The purpose of the Group Strategic Report is to inform shareholders and help them to assess how the directors have performed their duties to promote the success of the Cubo Communications Group. The report, together with the further information in the Directors' Report provides:

A fair and balanced review of the group's business including

- i) The development and performance of the business during the year
- ii) The position of the group at the end of the year

and a description of the principal risks and uncertainties facing the group.

### **Business review**

The group's financial performance was moderate in 2020, with an operating loss of £163,515, though at a gross margin that was up on the previous year. Parts of Cubo, the trading agency arm of the parent company, faced challenges in 2020 in attracting long term clients, despite significant new business efforts. A restructuring plan for these parts of Cubo was implemented in early 2020, with clients and some staff moving across to Eight & Four, supplementing the creative resources there. Cubo's Seaworld business and drinks focussed business were also significantly impacted by Covid 19. Inking suffered the loss of a number of large clients during the year. Clearly, the experiential part of that business suffered due to Covid 19.

### **Principal risks and uncertainties**

The group is governed by its directors ('the Board') who determine its business strategy and risk management and appetite. They are also responsible for establishing and maintaining the group's governance arrangements along with designing and implementing a risk management framework that recognises and manages the risks that the business faces. The Board and the group's management team meet on a regular basis and discuss profitability, cash flow, business and operations planning and risk management. The Board and the group's management team manage the group's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules with the aim to operate a defined and transparent risk management framework.

The Board has identified reputational and operational risks as the main areas of risk to which the group may be exposed. At least annually, the Board formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identifies material risks it considers the financial and reputational impact of these risks as part of business planning and capital management. The general objective is to develop systems and controls to mitigate risk.

### **Covid-19 - pandemic**

The directors acknowledge the continuing outbreak of COVID-19, which has been causing economic disruption in most countries, and its potentially adverse impact on the company and group. In response to the current COVID-19 pandemic the directors have provided information to employees regarding COVID-19 awareness, prevention, management and hygiene practices. The directors continue to monitor developments closely and are actively monitoring costs and supporting clients during this period of uncertainty. Further assessment regarding COVID-19 is in note 4 of these financial statements.

# CUBO COMMUNICATIONS GROUP LIMITED

## Group Strategic Report for the year ended 31 December 2020

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### Section 172(1) statement

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties which are detailed in section 172 of the Companies Act 2006. The following paragraphs below summarise how the board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and in doing so have regard (amongst other matters) to

- Risk management - consideration of risks is an integral part of our operations which includes providing services to our clients in often highly regulated environment. See below for details of our principal risks and uncertainties
- Interests of our employees - being a small employer of staff committing to being a responsible business in which our behaviour is aligned with the expectations of our people, clients, investors and society as a whole.
- Fostering business relationships - the strategy is to prioritise organic growth driven by providing services to both other group entities and our clients
- Impact of the company's operations on the community and environment - our approach is to create a positive approach to the clients and communities in which we interact with
- Maintaining a reputation for high standards of business conduct - consideration of risks is an integral part of how the company and group operates on a daily basis which are reviewed and issued at Group level under its Corporate Governance Policy's including whistleblowing.

### Key performance indicators

Group management monitors three primary KPIs - (i) operating margin; (ii) staff costs as a percentage of gross profit; and (iii) gross profit per head. Each of these KPIs can vary significantly from business to business.

Operating margin is calculated as operating profit divided by gross profit. Achieving a margin of 15% is considered a good performance in our sector. In 2020 we achieved (2.9%) with this figure being adversely affected by market conditions. 2019 was 8.5%.

Staff costs as a percentage of gross profit is a key marker in the marketing services industry, where people are the main cost to the business, and therefore one of the main factors in determining operating margin. We target a figure of 60% for this KPI. This continues to be a challenging target and not one that we could work towards during 2020 as we worked hard to deliver the best result possible, faced with the significant impact to our client income.

Year on year income growth was negative in 2020 at 36.2% as we suffered a significant downturn in client activity.

From an exceptionally tough 2020 we are seeing in 2021 a significant uptick in incoming work from existing and new clients.

### Future developments

Future developments in the businesses of the group are discussed in the Chief Executive's Statement.

# CUBO COMMUNICATIONS GROUP LIMITED

## Group Strategic Report for the year ended 31 December 2020

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### **Financial instruments**

The Group's financial instruments principally comprise cash at bank and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to raise money for the Group's operations. The Group's policy is to ensure that adequate cash is available and the Group does not trade in financial instruments and has not entered into any derivative transactions.

All the material activities of the Group take place in the United Kingdom and consequently there is minimal exchange risk. As at 31 December 2020, the Group had no material foreign currency exposures.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Directors monitor the cash flows of the Group to ensure that there is sufficient liquidity to meet foreseeable needs. The operations of the Group generate cash and the planned growth activities are cash generative.

The Group has taken advantage of the exemption in respect of the disclosure of short-term debtors and creditors.

The fair values of the Group's financial assets and liabilities are not considered to be materially different from their book values.

### **Employment policy**

It is the Group's policy to employ individuals with the necessary qualifications and experience without regard to sex, sexual orientation, marital status, race, belief, colour, age, nationality or religion. Full and fair consideration is given to applications for employment made by disabled persons.

The Group recognises the great importance of the contributions made by all employees and aims to keep them informed on matters affecting them as employees and on developments within the Group. Communication and consultation are achieved by a variety of means, both within individual operating companies and on a group-wide basis.

### **Creditor payment policy**

The Group makes purchases from suppliers according to the terms and conditions agreed in advance between the two parties. Payments are made to suppliers when the goods or services have been received and the terms and conditions of the agreement have been met.

### **Environmental policy**

The Group takes its environmental responsibilities seriously with policies and initiatives in place covering recycling and the minimisation of its carbon footprint.

### **On behalf of the board:**



D K Simpson - Director

14 December 2021

# CUBO COMMUNICATIONS GROUP LIMITED

## Directors' Report for the year ended 31 December 2020

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The Directors present their report and financial statements of Cubo Communications Group Limited (the "Company") and its subsidiary undertakings (the "Group") for the year ended 31 December 2020.

The Group in 2020 achieved an operating loss of £163,589 (2019 - profit £721,696). At 31 December 2020 the Group had net current assets of £4.98m (2019 - £4.54m) and net assets of £10.0m (2019 - £9.9m).

### Principal activity

The principal activity of the Group during the year was the provision of marketing services; comprising advertising, promotional marketing, digital marketing, public relations, experiential marketing and video production.

The principal activities of the Company are that of a holding company and the provision of advertising and promotional marketing.

### Dividends

No dividends will be distributed for the year ended 31 December 2020.

### Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

### Directors

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

D K Simpson  
K M H Ross

Other changes in directors holding office are as follows:

R J Brennan - resigned 14 February 2020

A J Harris and I Mansel-Thomas ceased to be directors after 31 December 2020 but prior to the date of this report.



## CUBO COMMUNICATIONS GROUP LIMITED

### Directors' Report for the year ended 31 December 2020

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#### Directors - continued

#### Board of Directors during the year

##### **Andrew Harris - Non-Executive Chairman**

Andrew was appointed to the board of the Company on 11 September 2009 and resigned as a director on 30 April 2021.

Andrew has more than 20 years' experience in the marketing industry. He qualified as a Chartered Accountant with Ernst and Whinney, and subsequently worked in the oil, publishing and software industries. Andrew joined Evans Hunt Scott in its formative years, an agency of some 40 people, as its first finance director. He left 17 years later in 2005 as Chief Executive of a top 5 UK marketing services group with turnover in excess of £100m and over 350 staff. In this period Andrew gained experience in acquisitions, mergers, divestments, restructures, rationalisations and operational initiatives to improve market position and profitability. Andrew is now an independent consultant providing commercial and management advice.

##### **Kerry Simpson - Chief Executive Officer**

Kerry joined the Group as Managing Director of Cubo Brand Communications Limited when it was acquired by the Company on 13 February 2006 and was appointed to the board of the Company on 2 July 2008.

Kerry has been involved in the marketing communications industry for 30 years and, with Chris Walmsley, was a co-founder of Cubo. Kerry's career has included positions at CPM Field Marketing, Cerca Marketing (the promotional marketing division of Ted Bates) and LGM Marketing, working on integrated campaigns for major international brands.

Kerry holds 31,806,742 ordinary shares in the Company, comprising, at the balance sheet date, 16.2% of its issued share capital.

##### **Ian Mansel-Thomas - Group Chief Financial Officer**

Ian joined the Group as Chief Financial Officer on 28 February 2011 and resigned on 15 June 2021.

Ian has more than 20 years' experience in the media and marketing industries, before joining the Group spending 8 years as Director of Operations and Finance at Nexus Productions, one of the UK's leading commercials production companies. An integral part of the senior management team at Nexus, Ian was responsible for the full financial and commercial function of the company as it grew from a turnover of £2m to over £9m. His wide commercial experience includes setting up international subsidiaries and joint ventures, acquisitions and integrations, group consolidations, domestic and international business affairs negotiation with agencies and brands, copyright, trademark and intellectual property litigation, HR and IT strategy, international treasury policy and process and change management.

##### **Kate Ross**

Kate is the Joint Managing Director of Eight & Four Limited, a subsidiary of the Group, which she founded with Amy McCulloch in 2008. Eight and Four Limited has grown more than five-fold since its acquisition and Kate has been instrumental in keeping the agency's service offering at the leading edge of digital and communication services: She and Amy have greatly expanded the agency's client base, which now includes Melia, Marie Curie, King.com, Photobox and Pernod Ricard.

##### **Rebecca Brennan**

Rebecca was the Managing Director of the marketing agency within Cubo Communications Group Limited. She joined the Group when her agency, The Hub Agency Limited, was brought into the Group in 2018. Since her appointment, the Cubo agency has added clients including Royal Mail, Yeo Valley, Arla Foods and Kings College London. She resigned on 14 February 2020.

##### **Political donations and expenditure**

None of the donations in the year of £3,833 (2019 - £1,972) are of a political nature.

# CUBO COMMUNICATIONS GROUP LIMITED

## Directors' Report for the year ended 31 December 2020

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### Employment policy

It is the Group's policy to employ individuals with the necessary qualifications and experience without regard to sex, sexual orientation, marital status, race, belief, colour, age, nationality or religion. Full and fair consideration is given to applications for employment made by disabled persons.

The Group recognises the great importance of the contributions made by all employees and aims to keep them informed on matters affecting them as employees and on developments within the Group. Communication and consultation are achieved by a variety of means, both within individual operating companies and on a group-wide basis.

### Disclosure in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 3 to 5. These matters relate to financial instruments, future developments and engagement with suppliers, customers and others, which otherwise would be required to be shown in the directors' report.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### On behalf of the board:



D K Simpson - Director

14 December 2021

**CUBO COMMUNICATIONS GROUP LIMITED**

**Consolidated  
Income Statement  
for the year ended 31 December 2020**

	Notes	2020 £	2019 £
<b>Turnover</b>	5	<b>9,218,175</b>	14,452,495
Cost of sales		<u>(3,640,812)</u>	<u>(5,933,411)</u>
<b>Gross profit</b>		<b>5,577,363</b>	8,519,084
Administrative expenses		<u>(6,126,388)</u>	<u>(7,806,764)</u>
		<b>(549,025)</b>	712,320
Other operating income		<u>385,436</u>	<u>9,350</u>
<b>Operating (loss)/profit</b>		<b>(163,589)</b>	721,670
Interest receivable and similar income		<u>74</u>	<u>26</u>
		<b>(163,515)</b>	721,696
Interest payable and similar expenses	8	<u>-</u>	<u>(19,563)</u>
<b>(Loss)/profit before taxation</b>	9	<b>(163,515)</b>	702,133
Tax on (loss)/profit	10	<u>1,642</u>	<u>(118,627)</u>
<b>(Loss)/profit for the financial year</b>		<b><u>(161,873)</u></b>	<b><u>583,506</u></b>
(Loss)/profit attributable to: Owners of the parent		<b><u>(161,873)</u></b>	<b><u>583,506</u></b>

The notes form part of these financial statements

CUBO COMMUNICATIONS GROUP LIMITED

Consolidated  
Other Comprehensive Income  
for the year ended 31 December 2020

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	Notes	2020 £	2019 £
(Loss)/profit for the year		(161,873)	583,506
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(161,873)</u>	<u>583,506</u>
Total comprehensive income attributable to: Owners of the parent		<u>(161,873)</u>	<u>583,506</u>

The notes form part of these financial statements

**Consolidated Balance Sheet**  
**31 December 2020**

	Notes	£	2020 £	£	2019 £
<b>Fixed assets</b>					
Intangible assets	12		5,070,000		5,255,000
Tangible assets	13		115,278		192,397
Investments	14		-		-
			<u>5,185,278</u>		<u>5,447,397</u>
<b>Current assets</b>					
Debtors	15	5,295,494		2,337,410	
Cash at bank and in hand		<u>2,857,254</u>		<u>4,554,612</u>	
		<b>8,152,748</b>		<b>6,892,022</b>	
<b>Creditors</b>					
Amounts falling due within one year	16	<u>3,172,032</u>		<u>2,352,291</u>	
<b>Net current assets</b>			<u><b>4,980,716</b></u>		<u>4,539,731</u>
<b>Total assets less current liabilities</b>			<u><b>10,165,994</b></u>		<u>9,987,128</u>
<b>Provisions for liabilities</b>	18		<u>85,742</u>		<u>86,948</u>
<b>Net assets</b>			<u><u><b>10,080,252</b></u></u>		<u><u>9,900,180</u></u>

The notes form part of these financial statements

**Consolidated Balance Sheet - continued**  
**31 December 2020**

	Notes	£	2020 £	£	2019 £
<b>Capital and reserves</b>					
Called up share capital	19		2,318,430		1,976,485
Share premium	20		1,009,279		1,009,279
Capital redemption reserve	20		437,534		437,534
Share Option reserves	20		187,647		187,647
Treasury reserves	20		(96,060)		(96,060)
Merger reserve	20		(150,000)		(150,000)
Retained earnings	20		6,373,422		6,535,295
			<u>10,080,252</u>		<u>9,900,180</u>
<b>Shareholders' funds</b>			<u>10,080,252</u>		<u>9,900,180</u>

The company and the group are entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2020.

The members have not required the company and the group to obtain an audit of its financial statements for the year ended 31 December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company and the group.

The financial statements were approved by the Board of Directors and authorised for issue on 14 December 2021 and were signed on its behalf by:



D K Simpson - Director

The notes form part of these financial statements

**Company Balance Sheet**  
**31 December 2020**

	Notes	£	2020 £	£	2019 £
<b>Fixed assets</b>					
Intangible assets	12		-		-
Tangible assets	13		<b>63,265</b>		149,138
Investments	14		<b>5,746,149</b>		5,746,149
			<u><b>5,809,414</b></u>		<u>5,895,287</u>
<b>Current assets</b>					
Debtors	15	<b>3,249,724</b>		2,802,901	
Cash at bank and in hand		<b>789,625</b>		1,773,642	
		<u><b>4,039,349</b></u>		<u>4,576,543</u>	
<b>Creditors</b>					
Amounts falling due within one year	16	<b>2,017,162</b>		2,860,540	
<b>Net current assets</b>			<u><b>2,022,187</b></u>		<u>1,716,003</u>
<b>Total assets less current liabilities</b>			<u><b>7,831,601</b></u>		<u>7,611,290</u>
<b>Provisions for liabilities</b>	18		<u><b>84,575</b></u>		<u>118,405</u>
<b>Net assets</b>			<u><u><b>7,747,026</b></u></u>		<u><u>7,492,885</u></u>

The notes form part of these financial statements

**Company Balance Sheet - continued**  
**31 December 2020**

	Notes	£	2020 £	£	2019 £
<b>Capital and reserves</b>					
Called up share capital	19		2,318,430		1,976,485
Share premium			1,009,279		1,009,279
Capital redemption reserve			437,534		437,534
Share Option reserves			187,647		187,647
Treasury reserves			(96,060)		(96,060)
Retained earnings			3,890,196		3,978,000
<b>Shareholders' funds</b>			<u>7,747,026</u>		<u>7,492,885</u>
Company's (loss)/profit for the financial year			<u>(87,804)</u>		<u>413,000</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2020.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

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

The financial statements were approved by the Board of Directors and authorised for issue on 14 December 2021 and were signed on its behalf by:



D K Simpson - Director

The notes form part of these financial statements



**CUBO COMMUNICATIONS GROUP LIMITED**

**Consolidated Statement of Changes in Equity  
for the year ended 31 December 2020**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Share Option reserves £
<b>Balance at 1 January 2019</b>	1,960,000	5,951,789	922,060	437,534	187,647
<b>Changes in equity</b>					
Issue of share capital	16,485	-	87,219	-	-
Total comprehensive income	-	583,506	-	-	-
<b>Balance at 31 December 2019</b>	<u>1,976,485</u>	<u>6,535,295</u>	<u>1,009,279</u>	<u>437,534</u>	<u>187,647</u>
<b>Changes in equity</b>					
Issue of share capital	341,945	-	-	-	-
Total comprehensive income	-	(161,873)	-	-	-
<b>Balance at 31 December 2020</b>	<u><u>2,318,430</u></u>	<u><u>6,373,422</u></u>	<u><u>1,009,279</u></u>	<u><u>437,534</u></u>	<u><u>187,647</u></u>
	Treasury reserves £	Merger reserve £	Non-controlling Total interests £	Total equity £	
<b>Balance at 1 January 2019</b>	(96,060)	(150,000)	9,212,970	-	9,212,970
<b>Changes in equity</b>					
Issue of share capital	-	-	103,704	-	103,704
Total comprehensive income	-	-	583,506	-	583,506
<b>Balance at 31 December 2019</b>	<u>(96,060)</u>	<u>(150,000)</u>	<u>9,900,180</u>	<u>-</u>	<u>9,900,180</u>
<b>Changes in equity</b>					
Issue of share capital	-	-	341,945	-	341,945
Total comprehensive income	-	-	(161,873)	-	(161,873)
<b>Balance at 31 December 2020</b>	<u><u>(96,060)</u></u>	<u><u>(150,000)</u></u>	<u><u>10,080,252</u></u>	<u><u>-</u></u>	<u><u>10,080,252</u></u>

The notes form part of these financial statements

**CUBO COMMUNICATIONS GROUP LIMITED**

**Company Statement of Changes in Equity  
for the year ended 31 December 2020**

	Called up share capital £	Retained earnings £	Share premium £	
<b>Balance at 1 January 2019</b>	1,000	3,565,000	922,060	
<b>Changes in equity</b>				
Issue of share capital	1,975,485	-	87,219	
Total comprehensive income	-	413,000	-	
<b>Balance at 31 December 2019</b>	<u>1,976,485</u>	<u>3,978,000</u>	<u>1,009,279</u>	
<b>Changes in equity</b>				
Issue of share capital	341,945	-	-	
Total comprehensive income	-	(87,804)	-	
<b>Balance at 31 December 2020</b>	<u><u>2,318,430</u></u>	<u><u>3,890,196</u></u>	<u><u>1,009,279</u></u>	
	Capital redemption reserve £	Share Option reserves £	Treasury reserves £	Total equity £
<b>Balance at 1 January 2019</b>	437,534	187,647	(96,060)	5,017,181
<b>Changes in equity</b>				
Issue of share capital	-	-	-	2,062,704
Total comprehensive income	-	-	-	413,000
<b>Balance at 31 December 2019</b>	<u>437,534</u>	<u>187,647</u>	<u>(96,060)</u>	<u>7,492,885</u>
<b>Changes in equity</b>				
Issue of share capital	-	-	-	341,945
Total comprehensive income	-	-	-	(87,804)
<b>Balance at 31 December 2020</b>	<u><u>437,534</u></u>	<u><u>187,647</u></u>	<u><u>(96,060)</u></u>	<u><u>7,747,026</u></u>

The notes form part of these financial statements

**CUBO COMMUNICATIONS GROUP LIMITED**

**Consolidated Cash Flow Statement  
for the year ended 31 December 2020**

	Notes	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(2,277,686)	1,138,806
Interest paid		-	(19,563)
Government grants received		385,436	-
Tax paid		(111,627)	(363,084)
Net cash from operating activities		<u>(2,003,877)</u>	<u>756,159</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(35,500)	(36,277)
Interest received		74	26
Net cash from investing activities		<u>(35,426)</u>	<u>(36,251)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		-	(31,000)
Share issue		341,945	103,704
Net cash from financing activities		<u>341,945</u>	<u>72,704</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(1,697,358)</u>	<u>792,612</u>
<b>Cash and cash equivalents at beginning of year</b>	2	4,554,612	3,762,000
<b>Cash and cash equivalents at end of year</b>	2	<u><u>2,857,254</u></u>	<u><u>4,554,612</u></u>

The notes form part of these financial statements

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Cash Flow Statement  
for the year ended 31 December 2020**

**1. Reconciliation of (loss)/profit before taxation to cash generated from operations**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
(Loss)/profit before taxation	<b>(163,515)</b>	702,133
Depreciation charges	<b>297,619</b>	293,127
Non controlling interest reserve	-	(85,000)
Government grants	<b>(385,436)</b>	-
Finance costs	-	19,563
Finance income	<b>(74)</b>	(26)
	<b>(251,406)</b>	929,797
(Increase)/decrease in trade and other debtors	<b>(2,958,084)</b>	2,859,004
Increase/(decrease) in trade and other creditors	<b>931,804</b>	(2,649,995)
<b>Cash generated from operations</b>	<b><u>(2,277,686)</u></b>	<b><u>1,138,806</u></b>

**2. Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2020**

	<b>31/12/20</b>	<b>1/1/20</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<b><u>2,857,254</u></b>	<b><u>4,554,612</u></b>

**Year ended 31 December 2019**

	<b>31/12/19</b>	<b>1/1/19</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<b><u>4,554,612</u></b>	<b><u>3,762,000</u></b>

**3. Analysis of changes in net funds**

	<b>At 1/1/20</b>	<b>Cash flow</b>	<b>At 31/12/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net cash</b>			
Cash at bank and in hand	<b><u>4,554,612</u></b>	<b><u>(1,697,358)</u></b>	<b><u>2,857,254</u></b>
	<b><u>4,554,612</u></b>	<b><u>(1,697,358)</u></b>	<b><u>2,857,254</u></b>
<b>Total</b>	<b><u><u>4,554,612</u></u></b>	<b><u><u>(1,697,358)</u></u></b>	<b><u><u>2,857,254</u></u></b>

The notes form part of these financial statements

# CUBO COMMUNICATIONS GROUP LIMITED

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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### 1. Introduction

A summary of the principle accounting policies, all of which have been applied consistently throughout the year and the preceding year except where stated otherwise, is set out below.

### 2. Statutory information

Cubo Communications Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

### 3. Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The 2019 consolidated financial statements were prepared in accordance with applicable International Financial Reporting Standards ("IFRS") and IFRIC interpretations for use in the European Union and issued by the International Accounting Standards Board. These have been restated to be in accordance with Financial Reporting Standard 102.

Under IFRS 16 a right-of-use asset and a lease liability were recognised for all leases except 'low-value' and 'short-term' leases where lease payments were recognised on a straight-line basis over the lease term. Under FRS102 this is not a requirement and the financial statements have been restated accordingly.

### 4. Accounting policies

#### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The presentation currency of the financial statements is the British Pound Sterling (£), rounded to the nearest pound.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2020. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### **Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

4. **Accounting policies - continued**

**Significant judgements and estimates**

In applying the firm's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

**Critical judgements in applying the company's accounting policies**

The critical judgement that the directors have made in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) **Assessing indicators and impairment**

In assessing whether there have been any indicators or impairment of assets, the directors have considered both external and internal sources of information such as market conditions, and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

**Key accounting estimates and assumptions**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Recoverability of receivables**

The group establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of customers.

(ii) **Determining residual values and useful economic lives of property, plant and equipment**

The group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

**Changes in accounting policies**

The accounts have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and republic of Ireland" and the Companies act 2006.

The prior year accounts were prepared in accordance with IFRS and IFRIC interpretations for use in the European Union and issued by the International Accounting Standards Board.

## CUBO COMMUNICATIONS GROUP LIMITED

### Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2020

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#### 4. Accounting policies - continued

##### **Turnover recognition**

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities for its clients are met.

##### **Goodwill**

Goodwill arising from the purchase of subsidiary undertakings represents the difference between the purchase consideration and the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary acquired, and is capitalised.

Goodwill impairment is assessed and an impairment provision is provided if the carrying amount of an asset is greater than its 'recoverable amount'.

##### **Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### **Tangible fixed assets**

Plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on a straight-line basis over the estimated useful economic lives of assets at 25% - 33% per annum. Leasehold improvements are amortised over the lease term.

Any gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

##### **Impairment of assets**

At each reporting date the group reviews the carrying value of its assets to determine whether there is any indication that these 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.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Impairment losses are charged to profit or loss in administration expenses.

## CUBO COMMUNICATIONS GROUP LIMITED

### Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2020

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#### 4. Accounting policies - continued

##### **Financial instruments**

Financial assets and liabilities are recognised when the group and company becomes party to the contractual provisions of the financial instruments. The group holds basic financial instruments which comprise cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings. The group has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

##### (i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

##### (ii) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost including the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the company assesses whether there is objective evidence that a receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised immediately in profit or loss.

##### (iii) Financial liabilities

Basic financial liabilities, including trade and other payables, loans and other borrowings are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

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 and subsequently measured at the undiscounted amount.

##### **Equity**

Equity instruments are classified in accordance with the substance of contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the group are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.



## CUBO COMMUNICATIONS GROUP LIMITED

### Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2020

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#### 4. Accounting policies - continued

##### **Taxation**

Tax expense for the period comprise current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future gives rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date that are expenses to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Foreign currencies**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at that date the transaction took place. Where this is not possible to determine, income and expense items are translated using an average exchange rate for the period.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions

##### **Leasing**

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

Payments made under operating lease arrangements are charged to profit or loss on a straight line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight line basis over the lease term.

##### **Pension costs and other post-retirement benefits**

The group contributes to individual employees' personal pension plans held separately from the group. Contributions payable are charged to the profit and loss account in the year they are payable.

## CUBO COMMUNICATIONS GROUP LIMITED

### Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2020

#### 4. Accounting policies - continued

##### Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probably that the obligation will be required to be settled, 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 end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

##### Going concern

The financial statements have been prepared on a going concern basis.

The directors regularly review the group's liquidity and have prepared budgets and detailed forecasts covering a period to 31 December 2022 to manage liquidity. These forecasts show that the Group is expecting to be able to continue to meet its liabilities as they fall due for the foreseeable future and meet any relevant requirements of lending agreements. The Group has been trading in line with revised budgets since the onset of COVID-19 and the directors continue to have plans in place to mitigate any cost impact of the pandemic.

The Group has taken a proactive approach to managing its liquidity throughout this crisis, including managing its cost base in line with the drop in revenue and taking advantage of COVID-19 related government financial support. The group has stabilised, and the directors expect a return to previous levels of revenue over the next 12 months. With cash balances of £4.5m at 31 October 2021 the group has sufficient cash to cover its debts as they fall due.

Forecasting medium-term trading remains difficult due to the ongoing uncertainty caused by COVID-19. However, based on the strong balance sheet that the Group has built, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Furthermore, despite the uncertain future impact of COVID-19 and the resulting impact on the Group's revenues, the directors do not judge that there is material uncertainty that would cast doubt on the Group's ability to act as a going concern in the foreseeable future.

#### 5. Turnover

The turnover and loss (2019 - profit) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2020	2019
	£	£
Creative services	4,066,505	8,488,495
Public relations & marketing	1,420,483	2,060,000
Video production	629,400	519,000
Digital marketing	3,101,787	3,385,000
	<u>9,218,175</u>	<u>14,452,495</u>

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

**6. Employees and directors**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	4,196,680	5,644,361
Social security costs	434,228	568,000
Other pension costs	67,846	79,075
	<b>4,698,754</b>	<b>6,291,436</b>
	<b>4,698,754</b>	<b>6,291,436</b>

The average number of employees during the year was as follows:

	<b>2020</b>	<b>2019</b>
Directors	4	5
Creative services	25	33
Public relations and experimental market	14	19
Video production	4	3
Digital marketing	25	24
	<b>72</b>	<b>84</b>
	<b>72</b>	<b>84</b>

Key management personal includes directors who together have authority and responsibility for planning, directing and controlling activities of the group.

Total compensation paid to key management for employee services provided to the group was as follows:

Salaries, fees, termination payment and short term benefits - £525,950 (2019 - £685,388)

Post-employment benefits £3,504 (2019 - £4,752).

**7. Directors' emoluments**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	445,950	685,388
Directors' pension contributions to money purchase schemes	3,504	4,752
Compensation to director for loss of office	80,000	-
	<b>530,454</b>	<b>730,140</b>
	<b>530,454</b>	<b>730,140</b>

Information regarding the highest paid director is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Emoluments etc	155,000	201,434
Pension contributions to money purchase schemes	1,314	-
	<b>156,314</b>	<b>201,434</b>
	<b>156,314</b>	<b>201,434</b>

**8. Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank interest	-	19,563
	<b>-</b>	<b>19,563</b>
	<b>-</b>	<b>19,563</b>

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

9. **(Loss)/profit before taxation**

The loss (2019 - profit) is stated after charging:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Other operating leases	<b>159,143</b>	131,841
Depreciation - owned assets	<b>112,619</b>	94,127
Customer relationships amortisation	<b>185,000</b>	199,000
Auditors' remuneration	-	38,000
Auditors' remuneration for non audit work	-	14,000
Foreign exchange differences	<b>151</b>	1,054
	<u><u>          </u></u>	<u><u>          </u></u>

10. **Taxation**

**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss for the year was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	<b>(436)</b>	152,627
Deferred tax	<b>(1,206)</b>	(34,000)
	<u>          </u>	<u>          </u>
Tax on (loss)/profit	<b>(1,642)</b>	118,627
	<u><u>          </u></u>	<u><u>          </u></u>

11. **Individual income statement**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

12. **Intangible fixed assets**

**Group**

	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Totals</b>
	£	£	£
<b>Cost</b>			
At 1 January 2020 and 31 December 2020	<b>4,758,000</b>	<b>925,000</b>	<b>5,683,000</b>
<b>Amortisation</b>			
At 1 January 2020	-	<b>428,000</b>	<b>428,000</b>
Amortisation for year	-	<b>185,000</b>	<b>185,000</b>
At 31 December 2020	-	<b>613,000</b>	<b>613,000</b>
<b>Net book value</b>			
At 31 December 2020	<b>4,758,000</b>	<b>312,000</b>	<b>5,070,000</b>
At 31 December 2019	4,758,000	497,000	5,255,000

Impairment reviews have been undertaken in respect of goodwill in accordance with the policy set out in Note 4.

The Directors believe that no reasonable possible changes in assumptions at the year-end will cause the value in use to fall below the carrying value and hence impair the goodwill.

Goodwill at the end of the year comprises the following substantial holdings:

	<b>2020</b>	<b>2019</b>
	£	£
Cubo	<b>2,391,000</b>	2,391,000
Eight and Four Limited	<b>2,383,000</b>	2,383,000
Inklings Communications Limited	<b>(16,000)</b>	(16,000)
	<b>4,758,000</b>	4,758,000

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

13. **Tangible fixed assets**

**Group**

	<b>Improvements to property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Totals £</b>
<b>Cost</b>					
At 1 January 2020	275,955	68,089	91,605	312,891	748,540
Additions	-	-	795	34,705	35,500
At 31 December 2020	<u>275,955</u>	<u>68,089</u>	<u>92,400</u>	<u>347,596</u>	<u>784,040</u>
<b>Depreciation</b>					
At 1 January 2020	179,580	31,791	87,488	257,284	556,143
Charge for year	66,484	8,725	2,969	34,441	112,619
At 31 December 2020	<u>246,064</u>	<u>40,516</u>	<u>90,457</u>	<u>291,725</u>	<u>668,762</u>
<b>Net book value</b>					
At 31 December 2020	<u>29,891</u>	<u>27,573</u>	<u>1,943</u>	<u>55,871</u>	<u>115,278</u>
At 31 December 2019	<u>96,375</u>	<u>36,298</u>	<u>4,117</u>	<u>55,607</u>	<u>192,397</u>

**Company**

	<b>Improvements to property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Totals £</b>
<b>Cost</b>					
At 1 January 2020 and 31 December 2020	275,955	60,643	50,529	134,660	521,787
<b>Depreciation</b>					
At 1 January 2020	179,580	24,345	47,245	121,479	372,649
Charge for year	66,484	8,725	2,384	8,280	85,873
At 31 December 2020	<u>246,064</u>	<u>33,070</u>	<u>49,629</u>	<u>129,759</u>	<u>458,522</u>
<b>Net book value</b>					
At 31 December 2020	<u>29,891</u>	<u>27,573</u>	<u>900</u>	<u>4,901</u>	<u>63,265</u>
At 31 December 2019	<u>96,375</u>	<u>36,298</u>	<u>3,284</u>	<u>13,181</u>	<u>149,138</u>

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

14. **Fixed asset investments**

**Company**

	<b>Shares in group undertakings £</b>
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	<u>5,746,149</u>
<b>Net book value</b>	
At 31 December 2020	<u>5,746,149</u>
At 31 December 2019	<u>5,746,149</u>

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

**Subsidiaries**

**Eight and Four Limited**

Registered office: UK

Nature of business: Digital marketing

Class of shares:	%
Ordinary	holding 100.00

**Inkling Communications Limited**

Registered office: UK

Nature of business: Public relations & experiential marketing

Class of shares:	%
Ordinary	holding 100.00

**Feed Films Limited**

Registered office: UK

Nature of business: Video production

Class of shares:	%
Ordinary	holding 100.00

**Cubo Brand Communications Limited**

Registered office: UK

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

**14. Fixed asset investments - continued**

**The Earned Agency Limited**

Registered office: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

**The Media Foundry International Limited**

Registered office: UK

Nature of business: Non-trading

	%
Class of shares:	holding
Ordinary	100.00

**Exedra Consultancy Limited**

Registered office: UK

Nature of business: Non-trading

	%
Class of shares:	holding
Ordinary	100.00

**Paul Simons and Partners Limited**

Registered office: UK

Nature of business: Non-trading

	%
Class of shares:	holding
Ordinary	100.00

**15. Debtors: amounts falling due within one year**

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	2,865,724	2,019,932	1,464,478	1,461,816
Amounts owed by group undertakings	-	-	174,982	287,714
Other debtors	1,195,654	102,447	419,567	907,410
Employee Benefit loan	1,033,296	-	1,033,296	-
VAT	-	-	25,003	-
Prepayments and accrued income	200,820	215,031	132,398	145,961
	5,295,494	2,337,410	3,249,724	2,802,901
	5,295,494	2,337,410	3,249,724	2,802,901



**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	-	-	13	13
Trade creditors	568,541	1,221,862	459,982	1,116,873
Amounts owed to group undertakings	-	-	640,806	-
Tax	45,871	157,934	37,145	91,021
Social security and other taxes	84,000	169,854	15,897	60,650
VAT	146,573	128,506	-	36,208
Other creditors	1,445,669	318,107	794,270	1,420,600
Accruals and deferred income	881,378	356,028	69,049	135,175
	<u>3,172,032</u>	<u>2,352,291</u>	<u>2,017,162</u>	<u>2,860,540</u>

**17. Financial instruments**

<b>Group</b>		<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		<b>£</b>	<b>£</b>
Financial assets measured at amortised cost		<u>7,951,728</u>	<u>6,676,991</u>
<b>Financial liabilities</b>		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Financial liabilities measured at amortised cost		<u>2,895,588</u>	<u>1,895,997</u>
<b>Company</b>			
<b>Financial assets</b>		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Financial assets measured at amortised cost		<u>3,881,735</u>	<u>4,430,569</u>
<b>Financial liabilities</b>		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Financial liabilities measured at amortised cost		<u>1,964,117</u>	<u>2,672,648</u>

Financial assets measured at amortised cost comprise bank and cash, trade debtors, other debtors, group undertakings and Employee benefit loan.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, group undertakings, accruals and deferred income.

Information regarding the company's exposure to risks are included in the strategic report.

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

**18. Provisions for liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred tax				
Accelerated capital allowances	<u><b>85,742</b></u>	<u>86,948</u>	<u><b>84,575</b></u>	<u>118,405</u>
<b>Group</b>				<b>Deferred tax</b>
				<b>£</b>
Balance at 1 January 2020				<b>86,948</b>
Credit to Income Statement during year				<b>(1,206)</b>
				<u>          </u>
Balance at 31 December 2020				<u><b>85,742</b></u>
<b>Company</b>				<b>Deferred tax</b>
				<b>£</b>
Balance at 1 January 2020				<b>118,405</b>
Credit to Income Statement during year				<b>(33,830)</b>
				<u>          </u>
Balance at 31 December 2020				<u><b>84,575</b></u>

**19. Called up share capital**

<b>Allotted, issued and fully paid:</b>				
<b>Number:</b>	<b>Class:</b>	<b>Nominal</b>	<b>2020</b>	<b>2019</b>
		<b>value:</b>	<b>£</b>	<b>£</b>
231,842,974	Ordinary shares	0.01	<u><b>2,318,430</b></u>	<u>1,976,485</u>

34,094,452 Ordinary shares shares of 0.01 each were allotted and fully paid for cash at par during the year.

**20. Reserves**

<b>Group</b>	<b>Retained</b>	<b>Share</b>	<b>Capital</b>
	<b>earnings</b>	<b>premium</b>	<b>redemption</b>
	<b>£</b>	<b>£</b>	<b>reserve</b>
			<b>£</b>
At 1 January 2020	<b>6,535,295</b>	<b>1,009,279</b>	<b>437,534</b>
Deficit for the year	<b>(161,873)</b>		
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2020	<u><b>6,373,422</b></u>	<u><b>1,009,279</b></u>	<u><b>437,534</b></u>

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2020**

**20. Reserves - continued**

**Group**

	Share Option reserves £	Treasury reserves £	Merger reserve £	Totals £
At 1 January 2020	187,647	(96,060)	(150,000)	7,923,695
Deficit for the year				(161,873)
	187,647	(96,060)	(150,000)	7,761,822
At 31 December 2020	187,647	(96,060)	(150,000)	7,761,822

The merger reserve arose from the merger of the Company with Paul Simons & Partners Limited in 2006. Merger relief under Section 612 of the Companies Act 2006 was taken and the premium arising on the issue of these shares was disregarded as required by Sections 615 and 616 of the Companies Act 2006.

The capital redemption reserve arose from the repurchase and cancellation of shares prior to 2015.

The share premium account arose with the issue of Group shares as part of the consideration for the purchase of the Group's subsidiaries Eight and Four Limited, Inkling Communications Limited and Feed Films Limited.

The Treasury Shares are those shares which have been issued and subsequently repurchased by the Company. Treasury Shares are not considered when earnings per share.

**21. Transactions with directors**

During the year directors exercised 26,666,666 share options at 0.0045p per share totalling £120,000.

**22. Post balance sheet events**

Following the year end a director of the parent company and two directors of subsidiary companies have been granted 37,450,000 EMI options at an exercise price of £0.0114. They are exercisable depending on business performance criteria.

**CUBO COMMUNICATIONS GROUP LIMITED**

**Notes to the Consolidated Financial Statements - continued  
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**23. Share-based payment transactions**

The Company grants options from time to time to certain directors and employees under its 2007 Enterprise Management Incentive Plan. The value of these share-based payments is measured at the date of grant using the Black-Scholes option pricing model and is expensed on a straight-line basis over the vesting period. The options may be exercised through an Employee Benefit Trust. The fair value of shares and options granted is recognised as an employee expense with a corresponding increase in equity spread over the period in which the vesting conditions are fulfilled ending on the relevant vesting date. The cumulative amount recognised as an expense reflects the extent to which the vesting period has expired, adjusted for the estimated number of shares and options that are ultimately expected to vest. The periodic charge or credit is the movement in the cumulative position from beginning to end of that period.

**Further details of the share option plan is as follows:**

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2020	2020	2019	2019
		p		p
At 1 January 2020	61,333,332	0.45	65,333,332	0.45
Granted	-		-	
Forfeited/lapsed	-		(4,000,000)	
Exercised	(55,333,332)	0.45	-	
	6,000,000		61,333,332	
Outstanding at 31 December 2020	<u>6,000,000</u>	<u>0.45</u>	<u>61,333,332</u>	<u>0.45</u>

During the year 55,333,332 share options were exercised at 0.45p per share. No share options were granted and none lapsed in the year. There were 6,000,000 options outstanding as at 31 December 2020. The share options as at 31 December 2020 were all issued between December 2010 and February 2016 at an exercise price of 0.45p and have an exercise period of 10 years from date of issue.

The Group recognised a charge of £nil (2019 - £344) in relation to share-based payment transactions in the year. The value of the options is measured by the use of the Black-Scholes option pricing model, assuming volatility of 50%, an expected life of 3-5 years based on the contractual life of the options, and a risk-free rate of 0.59%. Expected volatility is based on historic volatility of the Group's share price.

**24. Employee benefit trust**

The Group operates an Employee Benefit Trust. The purpose of the Trust is to encourage and facilitate employees of the group to hold shares in the parent company. Contributions to the Trust are not charged to the Group Statement of Comprehensive Income until the shares vest in employees of the company.

Cubo Communications Group Limited made a loan of £1,033,296 to the fund in the year to enable it to acquire share options sold by directors and employees in the year. No contributions were made in the year (2019 - £nil).