


We Are Very Social Limited
REPORT AND FINANCIAL STATEMENTS

31 December 2015

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we are social limited
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Company Registration No 07182380

We Are Very Social Limited

DIRECTORS AND ADVISERS

DIRECTORS

N McDonald
R Grant
W Zhao
X Zhang
H Zheng

COMPANY NUMBER

07182380

REGISTERED OFFICE

Alphabeta
14-18 Finsbury Square
London
EC2A 1BR, UK

AUDITORS

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB, UK

We Are Very Social Limited

STRATEGIC REPORT

REVIEW OF BUSINESS

The period covered by this report is 12 months to 31 December 2015. During this period the operating profit was £3.0m. The prior period of 18 months was in order to bring the company into line with the group reporting year end of 31 December. Financial comparisons with the prior period are therefore difficult to make. The group has continued strong organic growth globally.

FUTURE DEVELOPMENTS

The Company and Group will continue to capitalise on opportunities arising in social media and related activities on behalf of current and prospective clients around the world.

KEY PERFORMANCE INDICATORS

| £million's | 12 months to 31 Dec 2015 | 18 months to 31 Dec 2014 | % change |
|-------------------|-----------------------------|-----------------------------|----------|
| Turnover | 43.2 | 52.6 | -18% |
| Gross Profit | 13.0 | 12.7 | 2% |
| Operating Profit | 3.0 | 5.0 | -41% |
| Operating Margin | 7% | 9% | -28% |
| Net Profit | 1.4 | 3.8 | -62% |
| Group Net Assets | 11.7 | 10.5 | 11% |
| Average Headcount | 459 | 352 | 30% |

PRINCIPAL RISKS

The principal risks faced by the company and group are those associated with businesses operating internationally in the marketing services industry. Principally these are,

- Loss of key clients and associated revenue
- Effect of economic cycles affecting marketing expenditure
- Exchange rate fluctuations against sterling affecting the consolidated results
- Goodwill and intangible assets may become impaired
- Operational risk of doing business internationally, including tax regimes, social/political stability, laws and regulatory requirements
- Inability to retain or attract key staff

MATTERS OF STRATEGIC IMPORTANCE

During the year the company established an office in Shanghai, China.

By order of the board



R Grant
Director

Date 7/9/2016

We Are Very Social Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of We Are Very Social Limited for the 12 month period ended 31 December 2015

The report represents the trade from 1 January 2015 to 31 December 2015. The prior period represents the 18 month period ended 31 December 2014

PRINCIPAL ACTIVITIES

The principal activity of the group continues to be that of providing marketing communication services with particular focus on social media and social thinking. The group operates globally out of a number of international offices.

The principal activity of the company continues to be that of a holding company.

RESULTS

The consolidated profit and loss account for the year is set out on page 6 of the financial statements.

DIVIDENDS

No dividends were paid in 2015 (2014 £80,000)

DIRECTORS

The following directors held office during the year

N McDonald

R Grant

W Zhao

X Zhang

Y Chen (resigned 14 March 2016)

H Zheng (appointed 14 March 2016)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board



R Grant

Date: ~~2016~~ 7/9/16

We Are Very Social Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 group's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WE ARE VERY SOCIAL LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



DAVID BLACHER (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date 7th of September 2016

We Are Very Social Limited
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2015

| | <i>Notes</i> | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--------------|--|--|
| TURNOVER | <i>1</i> | 43,196,800 | 52,732,762 |
| Cost of sales | | (30,142,284) | (40,050,350) |
| GROSS PROFIT | | <u>13,054,516</u> | <u>12,682,412</u> |
| Administrative expenses | | (10,096,001) | (7,695,077) |
| OPERATING PROFIT | <i>2</i> | <u>2,958,515</u> | <u>4,987,335</u> |
| Share of results of associates | <i>6</i> | - | 90,804 |
| Interest payable and similar charges | <i>7</i> | (107,924) | (28,071) |
| Interest receivable and similar income | <i>6</i> | 62,948 | 4,682 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>2,913,538</u> | <u>5,054,750</u> |
| Taxation | <i>8</i> | (1,469,696) | (1,231,694) |
| PROFIT FOR THE FINANCIAL YEAR | | <u>1,443,842</u> | <u>3,823,056</u> |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO | | | |
| Owners of the parent | | 1,443,842 | 3,585,206 |
| Non-controlling interests | | - | 237,850 |
| PROFIT FOR THE YEAR | | <u>1,443,842</u> | <u>3,823,056</u> |

The operating profit for the year arises from the group's continuing operations

We Are Very Social Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--|--|
| PROFIT FOR THE YEAR | 1,443,842 | 3,823,056 |
| OTHER COMPREHENSIVE INCOME NET OF TAXATION | | |
| Currency translation differences on foreign currency net investments | (247,384) | (40,819) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | <u>(247,384)</u> | <u>(40,819)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>1,196,458</u> | <u>3,782,237</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO: | | |
| Owners of the parent | 1,196,458 | 3,544,387 |
| Non-controlling interest | - | 237,850 |
| | <u>1,196,458</u> | <u>3,782,237</u> |

We Are Very Social Limited


CONSOLIDATED AND COMPANY FINANCIAL POSITION

at 31 December 2015

Company Registration No 07182380

| | Notes | 31 December 2015 £ | Group 31 December 2014 £ | 31 December 2015 £ | Company 31 December 2014 £ |
|--|-------|--------------------------|-----------------------------------|--------------------------|-------------------------------------|
| FIXED ASSETS | | | | | |
| Goodwill | 10 | 1,421,188 | 1,594,335 | - | - |
| Other intangible assets | 11 | 332,504 | 274,585 | - | - |
| Total intangible assets | | 1,753,692 | 1,868,920 | - | - |
| Tangible assets | 12 | 3,296,946 | 1,147,616 | 18,086 | 885 |
| Investments | 13 | - | - | 9,015,616 | 9,015,616 |
| | | 5,050,638 | 3,016,537 | 9,033,702 | 9,016,501 |
| CURRENT ASSETS | | | | | |
| Debtors | 14 | 13,674,341 | 12,941,766 | 5,190,216 | 4,149,811 |
| Cash at bank and in hand | | 4,003,725 | 4,097,098 | 82,515 | 114,562 |
| | | 17,678,066 | 17,038,864 | 5,272,731 | 4,264,373 |
| CREDITORS. Amounts falling due within one year | 15 | (10,962,431) | (9,553,599) | (5,134,639) | (4,014,310) |
| NET CURRENT ASSETS | | 6,715,635 | 7,485,265 | 138,092 | 250,063 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 11,766,273 | 10,501,802 | 9,171,794 | 9,266,564 |
| Provision for liabilities | 16 | (68,013) | - | - | - |
| NET ASSETS | | 11,698,260 | 10,501,802 | 9,171,794 | 9,266,564 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 18 | 31,298 | 31,298 | 31,298 | 31,298 |
| Other reserves | 19 | 2,818 | 2,818 | - | - |
| Capital contribution | | 6,803,706 | 6,803,706 | 6,803,706 | 6,803,706 |
| Profit and loss reserve | | 4,860,438 | 3,663,980 | 2,336,790 | 2,431,560 |
| | | 11,698,260 | 10,501,802 | 9,171,794 | 9,266,564 |

The financial statements on pages 6 to 35 were approved by the board of directors and authorised for issue on 7 September 2016 and are signed on its behalf by


R Grant
Director

We Are Very Social Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2015

Company Registration No 07182380

| Notes | Share Capital £ | Capital Contribution £ | Other Reserves £ | Profit and loss reserve £ | Non-controlling interests £ | Total £ |
|---|--------------------|---------------------------|---------------------|------------------------------|--------------------------------|-------------------|
| BALANCE AT 1 JULY 2013 | 9,092 | - | 2,312,351 | 1,658,522 | 395,139 | 4,375,104 |
| Profit for the period | | | | 3,585,206 | 237,850 | 3,823,056 |
| Other comprehensive income, net of taxation. | | | | (40,819) | | (40,819) |
| Total comprehensive income for the period | | | | 3,544,387 | 237,850 | 3,782,237 |
| Dividends | | | | (80,000) | | (80,000) |
| Capital contribution from parent undertaking | | 6,803,706 | | | | 6,803,706 |
| Acquisition of minority interests of subsidiaries | | | | (3,574,604) | (632,989) | (4,207,593) |
| Acquisition of minority interests of associate | | | | (193,858) | | (193,858) |
| Share capital issue | 22,206 | | | | | 22,206 |
| Transfer to profit or loss on expiry of share options | | | (2,309,533) | 2,309,533 | | - |
| BALANCE AT 31 DECEMBER 2014 | 31,298 | 6,803,706 | 2,818 | 3,663,980 | - | 10,501,802 |
| Profit for the year | | | | 1,443,842 | | 1,443,842 |
| Other comprehensive income, net of taxation | | | | (247,384) | | (247,384) |
| Total comprehensive income for the year | | | | 1,196,458 | - | 1,196,458 |
| Dividends | | | | | | |
| BALANCE AT 31 DECEMBER 2015 | 31,298 | 6,803,706 | 2,818 | 4,860,438 | - | 11,698,260 |

The capital contribution relates to the acquisition of historic non-controlling interests acquired during the year, payment for which was made by the ultimate parent and classified as a capital contribution

Non-controlling interests represent the share of net assets of subsidiaries which are not attributable to the owners of the parent

The profit and loss reserve represents historic accumulated profits less transfers and distributions to owners

Other reserves comprise the articles of association reserve and the share option reserve (see note 19)

We Are Very Social Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
31 December 2015

Company Registration No. 07182380

| | Notes | Share capital £ | Capital Contribution £ | Other Reserves £ | Profit and loss reserve £ | Total £ |
|--|-------|--------------------|------------------------------|---------------------|---------------------------------|------------------|
| BALANCE AT 1 JULY 2013 | | 9,092 | - | 2,309,533 | (31,345) | 2,287,280 |
| Profit for the year | | | | | (73,388) | (73,388) |
| Other comprehensive income, net of taxation. | | | | | - | - |
| Total comprehensive income for the year | | | | | (73,388) | (73,388) |
| Dividends | | | | | | |
| Capital contribution from parent undertaking | 9 | | 6,803,706 | | (80,000) | (80,000) |
| Share capital issue | | 22,206 | | | | 22,206 |
| Transfer to profit or loss on expiry of share options | | | | (2,309,533) | 2,309,533 | - |
| Adjustment in respect of employee share schemes of subsidiary entities | | | | 306,760 | | 306,760 |
| BALANCE AT 31 DECEMBER 2014 | | 31,298 | 6,803,706 | - | 2,431,560 | 9,266,564 |
| Profit for the year | | | | | (94,770) | (94,770) |
| Other comprehensive income, net of taxation | | | | | - | - |
| Total comprehensive income for the year | | | | | (94,770) | (94,770) |
| Dividends | | | | | | |
| BALANCE AT 31 DECEMBER 2015 | | 31,298 | 6,803,706 | - | 2,336,790 | 9,171,794 |

The capital contribution relates to the acquisition of historic non-controlling interests acquired during the year, payment for which was made by the ultimate parent and classified as a capital contribution

The profit and loss reserve represents historic accumulated profits less transfers and distributions to owners
Other reserves comprise the articles of association reserve and the share option reserve (see note 19)

We Are Very Social Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2015

| | <i>Notes</i> | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|---|--------------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 21 | 3,574,945 | 5,305,425 |
| Interest paid | | (47,118) | (29,371) |
| Income taxes paid | | (1,361,571) | (1,539,685) |
| NET CASH FROM OPERATING ACTIVITIES | | 2,166,256 | 3,736,369 |
| INVESTING ACTIVITIES | | | |
| Purchase of tangible fixed assets | | (2,261,770) | (1,275,292) |
| Interest received | | 2,141 | 4,682 |
| NET CASH USED IN INVESTING ACTIVITIES | | (2,259,629) | (1,270,610) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | - | 22,206 |
| Proceeds from employee share option scheme | | - | 306,760 |
| Dividends paid | | - | (80,000) |
| NET CASH FROM FINANCING ACTIVITIES | | - | 248,966 |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (93,373) | 2,714,725 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 4,097,098 | 1,382,373 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 4,003,725 | 4,097,098 |

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 ACCOUNTING POLICIES

Company information

We Are Very Social Limited (the "Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR, UK

The Group consists of We Are Very Social Limited and all of its subsidiaries

The Company's and the Group's principal activities are that of providing PR and marketing consultancy services with particular focus on social media and social thinking

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention

The consolidated financial statements are presented in sterling which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest whole £ except where otherwise indicated

These financial statements are the first financial statements of We Are Very Social Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of We Are Very Social Limited for the 18 months ended 31 December 2014 were prepared in accordance with previous UK GAAP

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. 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'

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in its individual accounts,

- 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 33 'Related Party Disclosures' – Compensation for key management personnel

The financial statements of the Company are consolidated in the financial statements of the Group.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's loss for the year and total comprehensive loss for the year were £94,770 (2014. loss of £73,338).

Period of account and comparative period of account

The entity changed its accounting reference date from 30 June to 31 December in the year ended 31 December 2014 in order to align the accounting period with that of the ultimate parent. These financial statements cover the year from 1 January 2015 to 31 December 2015. The comparative period of these financial statements is the period of 18 months from 1 July 2013 to 31 December 2014.

Basis of consolidation

The consolidated financial statements incorporate those of We Are Very Social Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Where a transaction results in an increased or decreased shareholding in a subsidiary, but control is not gained or lost, any excess of consideration paid or received and the carrying amount of the non-controlling interest is recognised directly in equity.

Where a transaction results in control being gained over an investment which was previously accounted for under the equity method, the carrying value of the investment is impaired to cost and thereafter accounted for as a business combination.

Investments in associates are measured using the equity method on consolidation.

Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for PR consultancy and marketing services provided to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised as contract activity progresses, in accordance with the terms of the contractual agreement and the stage of completion of the work. It is in respect of the provision of promotional services including fees, commissions, and rechargeable expenses subject to specific contract. When recorded turnover exceeds the amounts invoiced to clients, the excess is classified as accrued income.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets – goodwill

Goodwill is capitalised and written off evenly over 10 years as, in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits

Intangible fixed assets – other than goodwill

Research and development

The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale
- (b) Its intention to complete the development and to use or sell the intangible asset
- (c) Its ability to use or sell the intangible asset.
- (d) A market exists for the asset
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is 36 months. The directors consider these useful lives to be appropriate because this is the period in which the group is expected to receive the majority of the economic benefit.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Other intangible assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows -

| | |
|--------------------|----------------------|
| Purchased software | 33 34% straight line |
|--------------------|----------------------|

Amortisation is revised prospectively for any significant change in useful life or residual value.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows

| | |
|----------------------------------|----------------------------|
| Leasehold buildings | Over the term of the lease |
| Plant and machinery | 25% to 50% straight line |
| Fixtures, fittings and equipment | 25% straight line |

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life

Fixed asset investments

Interests in subsidiaries and associates 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.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate

Impairments of fixed assets

At each reporting end date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Impairments of fixed assets (continued)

unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets are classified as either basic or other financial assets. The classification depends on certain criteria determined at the time of recognition.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing arrangement, the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Other financial assets

Financial assets classified as other financial assets are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are classified as either basic or other financial liabilities.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Basic financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Other financial liabilities

Financial liabilities classified as other financial liabilities are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the Group 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 Group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill

Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group 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.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases

Rentals payable under operating leases, after deducting 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.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Critical accounting estimates and assumptions

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

Impairment of assets

Assets are reviewed for impairment at each reporting date to assess whether any current or future events and circumstances suggest that their recoverable amount may be less than the carrying value. The recoverable amount is the present value of expected future cash inflows. The accuracy of any such impairment calculation will be affected by unexpected changes to the economic situation, and assumptions which differ from actual outcomes. As such, judgement is applied when determining the levels of provisioning

Amortisation period of goodwill

The directors have estimated the useful economic life of the goodwill recognised in relation to the acquisition of We Are Social Srl at 10 years. The accuracy of the estimate may be affected by future business growth and risks

Critical areas of judgement

Operating lease commitments

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee

Intangible assets recognised on acquisition of We Are Social Srl

The directors are of the opinion that there are no material separate intangible assets which are required to be recognised on the acquisition of We Are Social Srl in the 18 months ended 31 December 2014

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover of the Group and profit before taxation were all derived from its principal activity

Segmental analysis by geographical area

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|-------------------|--|--|
| United Kingdom | 9,474,215 | 11,931,128 |
| Europe | 24,004,166 | 26,245,472 |
| Rest of the world | 9,718,419 | 14,556,162 |
| | <u>43,196,800</u> | <u>52,732,762</u> |

2 OPERATING PROFIT

Profit on ordinary activities before taxation is stated after charging/(crediting):

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--|--|
| Depreciation of tangible assets | 441,979 | 531,989 |
| Amortisation of intangible assets | 172,711 | 123,132 |
| Amortisation of goodwill | 173,146 | 69,670 |
| (Gain)/loss on disposal of tangible assets | (157,700) | 55,816 |
| Loss on foreign exchange transactions | 108,210 | 50,511 |
| Operating lease rentals | 1,662,254 | 1,651,750 |
| Auditors' remuneration | 53,000 | 45,000 |
| | <u> </u> | <u> </u> |

3 AUDITOR'S REMUNERATION

Fees payable to the company's auditor and its associates

FOR AUDIT SERVICES

Audit of the group's and company's financial statements

Audit of the company's subsidiaries

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|------------------------------|--|--|
| | 53,000 | 45,000 |
| | - | - |
| | <u>53,000</u> | <u>45,000</u> |
| FOR OTHER SERVICES | | |
| Taxation compliance services | - | - |
| All other non-audit services | 8,000 | - |
| | <u>61,000</u> | <u>45,000</u> |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | | |
|---|---|--|--|
| 4 | EMPLOYEES | 2015 No | 2014 No. |
| | The average monthly number of persons (including directors) employed by the group during the year was | | |
| | Directors | 14 | 12 |
| | Senior managers | 70 | 47 |
| | Consultants | 335 | 262 |
| | Administration | 40 | 31 |
| | | 459 | 352 |
| | | 459 | 352 |
| | | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| | Staff costs for above persons | | |
| | Wages and salaries | 17,398,398 | 24,656,320 |
| | Social security costs | 2,050,859 | 3,885,753 |
| | Pension costs | 593,670 | 701,973 |
| | | 20,042,927 | 29,244,046 |
| | | 20,042,927 | 29,244,046 |
| 5 | DIRECTOR'S REMUNERATION | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| | Remuneration for qualifying services | 175,716 | 236,681 |
| | | 175,716 | 236,681 |
| | | 175,716 | 236,681 |

Remuneration disclosed above include the following amounts paid to the highest paid director

| | | |
|---|--|--|
| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| Remuneration for qualifying services | 86,216 | 118,393 |
| Company contributions to defined contribution pension schemes | - | - |
| | 86,216 | 118,393 |
| | 86,216 | 118,393 |

The directors are paid for their services through We Are Social Limited, a 100% subsidiary located in England and Wales.

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | | |
|---|--|--|--|
| 6 | INTEREST RECEIVABLE AND SIMILAR INCOME | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| | INTEREST INCOME | | |
| | Interest on bank deposits | 2,141 | 4,682 |
| | Interest receivable from group companies | 60,807 | - |
| | Total interest receivable | <u>62,948</u> | <u>4,682</u> |
| | OTHER INCOME FROM INVESTMENTS | | |
| | Income from participating interest – associates | - | 90,804 |
| | | <u>-</u> | <u>90,804</u> |
| 7 | INTEREST PAYABLE AND SIMILAR CHARGES | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| | Interest on financial liabilities measured at amortised cost: | | |
| | On bank loans and overdrafts | 107,924 | 3,892 |
| | Other finance costs: | | |
| | On overdue tax | - | 24,179 |
| | | <u>107,924</u> | <u>28,071</u> |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| 8 TAXATION | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--|--|
| Current tax | | |
| UK corporation tax on profits of the period | 378,431 | 286,267 |
| Adjustments in respect of previous periods | (10,091) | 68,307 |
| Foreign corporation tax | 939,310 | 656,141 |
| Adjustments in foreign tax in respect of prior periods | | |
| Total current tax | <u>1,307,650</u> | <u>1,010,715</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | 162,046 | 220,979 |
| Total tax on profit on ordinary activities | <u>1,469,696</u> | <u>1,231,694</u> |

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 24% to 23% from 1 April 2014

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2014 on 2 July 2014. These reduce the main rate to 21% from 1 April 2015 and to 20% from 1 April 2016. The deferred tax assets and liabilities reflect these rates.

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows

| Factors affecting tax charge for period. | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--|--|
| The tax assessed for the period is higher than the standard rate of corporation tax in the UK (21.5%). The differences are explained below | | |
| Profit on ordinary activities before tax | (2,913,538) | 5,054,750 |
| Profit on ordinary activities multiplied by average rate of corporation tax in the UK 20.25% (2014 22%) | 589,991 | 1,086,771 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 42,225 | 82,422 |
| Differences between depreciation and capital allowances | | 18,290 |
| Foreign tax adjustments | 854,114 | 410,380 |
| Dividends and distributions received | - | - |
| Adjustment to tax charge in respect of previous periods | (10,091) | 68,307 |
| Unrelieved tax losses | - | 48,022 |
| Adjustment in respect of the EMI scheme | - | (703,477) |
| Other short term timing differences | (6,543) | 220,979 |
| Tax charge for period/year | <u>1,469,696</u> | <u>1,231,694</u> |

There are no amounts relating to tax recognised directly in other comprehensive income or equity in addition to amounts charged to the income statement.

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | | |
|----|-----------------------------------|--|--|
| 9 | DIVIDENDS | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
| | Ordinary interim paid | - | 80,000 |
| | | <u> </u> | <u> </u> |
| 10 | GOODWILL | | Goodwill |
| | | | £ |
| | GROUP | | |
| | Cost | | |
| | 1 January 2015 & 31 December 2015 | | <u>1,664,004</u> |
| | Amortisation | | |
| | 1 January 2015 | | 69,670 |
| | Charge for the year | | 173,146 |
| | 31 December 2015 | | <u>242,816</u> |
| | Net book value | | |
| | 31 December 2015 | | <u>1,421,188</u> |
| | 31 December 2014 | | <u>1,594,334</u> |

All of the goodwill relates to the acquisition of controlling interest in We Are Social SRL. This acquisition was funded by a capital contribution from the parent company. Amortisation of goodwill is included within Administrative expenses in the Consolidated Income Statement.

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| 11 OTHER INTANGIBLE ASSETS | Purchased software £ | Development costs £ | Total £ |
|----------------------------|----------------------------|---------------------------|----------------|
| GROUP | | | |
| Cost | | | |
| 1 January 2015 | 4,301 | 445,215 | 449,516 |
| Additions | 2,968 | 234,961 | 237,929 |
| Disposals | - | (27,309) | (27,309) |
| 31 December 2015 | 7,269 | 652,867 | 660,136 |
| Amortisation | | | |
| 1 January 2015 | 2,442 | 172,489 | 174,931 |
| Charge for the year | 1,214 | 171,497 | 172,711 |
| Disposals | - | (20,010) | (20,010) |
| 31 December 2015 | 3,656 | 323,976 | 327,632 |
| Net book value | | | |
| 31 December 2015 | 3,613 | 328,891 | 332,504 |
| 31 December 2014 | 1,859 | 272,726 | 274,585 |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| 12 TANGIBLE FIXED ASSETS | Land and buildings £ | Plant and machinery £ | Fixtures, fittings and equipment £ | Total £ |
|--------------------------|----------------------------|-----------------------------|---|--------------------------------|
| GROUP | | | | |
| Cost | | | | |
| 1 January 2015 | 139,831 | 688,018 | 1,142,248 | 1,970,097 |
| Additions | 42,466 | 1,272,676 | 1,346,628 | 2,661,770 |
| Disposals | - | - | (211,008) | (211,008) |
| 31 December 2015 | <u>182,297</u> | <u>1,960,694</u> | <u>2,277,868</u> | <u>4,420,859</u> |
| Depreciation | | | | |
| 1 January 2015 | 62,913 | 411,558 | 348,010 | 822,481 |
| Charged in the year | 66,358 | 172,360 | 203,261 | 441,979 |
| Disposals | - | - | (140,547) | (140,547) |
| 31 December 2015 | <u>129,271</u> | <u>583,918</u> | <u>410,724</u> | <u>1,123,913</u> |
| Net book value | | | | |
| 31 December 2015 | <u>53,026</u> | <u>1,376,776</u> | <u>1,867,144</u> | <u>3,296,946</u> |
| 31 December 2014 | <u>76,918</u> | <u>276,460</u> | <u>794,238</u> | <u>1,147,616</u> |
| COMPANY | | | | Plant and machinery |
| Cost | | | | |
| 1 January 2015 | | | | 5,114 |
| Additions | | | | 18,000 |
| 31 December 2015 | | | | <u>23,114</u> |
| Depreciation | | | | |
| 1 January 2015 | | | | 4,229 |
| Charged in the year | | | | 799 |
| 31 December 2015 | | | | <u>5,028</u> |
| Net book value | | | | |
| 31 December 2015 | | | | <u>18,086</u> |
| 31 December 2014 | | | | <u>885</u> |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | |
|----|-----------------------------------|---|
| 13 | FIXED ASSETS INVESTMENTS | Shares in group undertakings £ |
| | COMPANY | |
| | Cost | |
| | 1 January 2015 & 31 December 2015 | <u>9,015,616</u> |
| | Net book value | |
| | At 31 December 2015 | <u>9,015,616</u> |
| | At 31 December 2014 | <u>9,015,616</u> |

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Details of the company's subsidiaries at 31 December 2015 are as follows

| Company | Country of registration or incorporation | Class | Shares held % |
|---|---|----------|------------------|
| Subsidiary undertakings: | | | |
| We Are Social Pty Ltd* | Australia | Ordinary | 100 |
| We Are Social GmbH | Germany | Ordinary | 100 |
| We Are Social SarL | France | Ordinary | 100 |
| We Are Social Ltda | Brazil | Ordinary | 100 |
| We Are Social Pte Limited | Singapore | Ordinary | 100 |
| We Are Social Inc* | USA | Ordinary | 100 |
| We Are Social Limited | UK | Ordinary | 100 |
| We Are Social SRL** | Italy | Ordinary | 100 |
| We Are Social Consulting (Shanghai) CO , LTD | China | Ordinary | 100 |

* These subsidiaries hold 100% of the issued share capital in We Are Social CRM Pty Ltd, a company incorporated in Australia, and We Are Social West Inc, a company incorporated in the USA.

**The remaining 69% of share capital of We Are Social SRL was acquired on 1 April 2014. An amount of £90,804 was recognised in the consolidated income statement in respect of the 18 months ended 31 December 2014, being the Group's share of the profits of the associate for the period

The principal activity of these undertakings for the last relevant financial year was that of providing marketing communication services

By virtue of Section 479A of the Companies Act 2006, We Are Social Limited is exempt from the Companies Act requirements relating to the audit of the individual accounts

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| 14 | DEBTORS | Group | | Company | |
|----|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 31 December 2015 £ | 31 December 2014 £ | 31 December 2015 £ | 31 December 2014 £ |
| | Due within one year | | | | |
| | Trade debtors | 8,899,000 | 8,767,740 | - | 17,150 |
| | Amounts due from subsidiary undertakings | - | - | 5,013,264 | 4,023,409 |
| | Other debtors | 1,503,423 | 608,941 | 2,794 | 15,016 |
| | Prepayments and accrued income | 3,271,918 | 3,471,082 | 132,249 | 50,153 |
| | | <u>13,674,341</u> | <u>12,847,763</u> | <u>5,148,307</u> | <u>4,105,728</u> |
| | Due in more than one year: | | | | |
| | Deferred tax asset (see note 16) | - | 94,003 | 41,909 | 44,083 |
| | | <u>-</u> | <u>94,003</u> | <u>41,909</u> | <u>44,083</u> |
| | Total debtors | <u>13,674,341</u> | <u>12,941,766</u> | <u>5,190,216</u> | <u>4,149,811</u> |
| 15 | CREDITORS: Amounts falling due within one year | Group | | Company | |
| | | 31 December 2015 £ | 31 December 2014 £ | 31 December 2015 £ | 31 December 2014 £ |
| | Trade creditors | 1,692,160 | 1,610,902 | 66,223 | 35,031 |
| | Amounts owed to subsidiary undertakings | - | - | 4,912,067 | 3,699,875 |
| | Corporation tax payable | 301,056 | 354,945 | - | (576) |
| | Other taxation and social security | 2,090,810 | 2,278,472 | (28,411) | (5,710) |
| | Directors current accounts | - | 23,390 | - | 23,390 |
| | Other creditors | 1,524,686 | 716,505 | 101,058 | 74,710 |
| | Accruals and deferred income | 5,353,719 | 4,569,385 | 83,702 | 187,590 |
| | | <u>10,962,431</u> | <u>9,553,599</u> | <u>5,134,639</u> | <u>4,014,310</u> |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | | | | |
|----|-----------------------------------|----------|--------------------|-----------|----------------------|
| 16 | PROVISIONS FOR LIABILITIES | £ | Group 2014 £ | 2015 £ | Company 2014 £ |
| | Deferred tax liabilities | (68,013) | - | - | - |

Provision for deferred tax has been made as follows:

| | | |
|----------------------------------|--------------------|----------------------|
| | Group 2015 £ | Company 2015 £ |
| Deferred tax liabilities | (110,129) | (205) |
| Deferred tax assets | 42,116 | 42,116 |
| Net position at 31 December 2015 | (68,013) | 41,909 |

The major deferred tax liabilities and assets recognised are

| | | | | |
|--------------------------------|----------------|--------------------|------------|----------------------|
| Deferred tax liabilities | 2015 £ | Group 2014 £ | 2015 £ | Company 2014 £ |
| Accelerated capital allowances | 110,129 | - | 205 | - |
| Other timing differences | - | - | - | - |
| | <u>110,129</u> | <u>-</u> | <u>205</u> | <u>-</u> |

| | | | | |
|--------------------------------|---------------|--------------------|---------------|----------------------|
| Deferred tax assets | 2015 £ | Group 2014 £ | 2015 £ | Company 2014 £ |
| Accelerated capital allowances | - | 1,585 | - | 423 |
| Other timing differences | 42,116 | 92,418 | 42,116 | 43,660 |
| | <u>42,116</u> | <u>94,003</u> | <u>42,116</u> | <u>44,083</u> |

The other timing differences represent the deferred tax asset in relation to timing differences between the recognition of a number of expenses for tax purposes and in the financial statements. The deferred tax asset is expected to reverse when the expenses are recognised in the financial statements.

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| 17 | Financial instruments | 31 December 2015 £ | Group 31 December 2014 £ |
|----|--|--------------------------|-----------------------------------|
| | Carrying amount of financial assets | | |
| | Debt instruments measured at amortised cost | 16,759,934 | 16,185,779 |
| | Equity instruments measured at cost less impairment | - | - |
| | Instruments measured at fair value through profit or loss | - | - |
| | | <u>16,759,934</u> | <u>16,185,779</u> |
| | Carrying amount of financial liabilities | | |
| | Measured at fair value through profit or loss | | |
| | - Non-derivatives that are not part of a trading portfolio | - | - |
| | - Other financial liabilities | - | - |
| | Measured at amortised cost | 5,065,209 | 4,489,244 |
| | | <u>5,065,209</u> | <u>4,489,244</u> |
| 18 | SHARE CAPITAL | 31 December 2015 £ | 31 December 2014 £ |
| | Allotted, called up and fully paid | | |
| | 9,356 Ordinary shares of £1 each | 9,356 | 9,356 |
| | 2,242 A Ordinary shares of £1 each | 2,242 | 2,242 |
| | 3,000 B Ordinary shares of £1 each | 3,000 | 3,000 |
| | 3,000 C Ordinary shares of £1 each | 3,000 | 3,000 |
| | 3,000 D Ordinary shares of £1 each | 3,000 | 3,000 |
| | 3,000 E Ordinary shares of £1 each | 3,000 | 3,000 |
| | 3,000 F Ordinary shares of £1 each | 3,000 | 3,000 |
| | 300 G Ordinary shares of £1 each | 300 | 300 |
| | 3,000 H Ordinary shares of £1 each | 3,000 | 3,000 |
| | 1,400 I Ordinary shares of £1 each | 1,400 | 1,400 |
| | | <u>31,298</u> | <u>31,298</u> |

There were no shares issued or redeemed during the year

The ordinary shares hold 50 votes each and all other classes of shares one vote each. The shares in issue rank pari passu in all other respects

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

| | | | | |
|----|---|---|------------------------------|-------------|
| 19 | OTHER RESERVES | Articles of association reserve £ | Share option reserve £ | Total £ |
| | GROUP | | | |
| | BALANCE AT 1 JULY 2013 | 2,818 | 2,309,533 | 2,312,351 |
| | Transfer to profit or loss on expiry of options | - | (2,309,533) | (2,309,533) |
| | BALANCE AT 31 DECEMBER 2014 | 2,818 | - | 2,818 |
| | BALANCE AT 31 DECEMBER 2015 | 2,818 | - | 2,818 |

The articles of association reserve represent the minimum reserves that are required by the Company's articles of association.

The share option reserve represents share options which have been granted and have vested, but which have not yet been exercised by the option holders or expired.

20 OPERATING LEASE COMMITMENTS

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

| | 31 December 2015 £ | 31 December 2014 £ |
|----------------------------|--------------------------|--------------------------|
| Expiry date | | |
| Within one year | 1,192,197 | 238,394 |
| Between two and five years | 7,945,969 | 766,024 |
| In over five years | 6,830,323 | 412,578 |
| | 15,968,489 | 1,416,966 |

During 2015, the Group entered into a new property operating lease which has annual commitments of £1m over a ten year period

We Are Very Social Limited
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for the year ended 31 December 2015

| 21 CASH GENERATED FROM OPERATIONS | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|--|--|--|
| Profit for the year | 1,443,842 | 3,823,056 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets | 441,979 | 703,990 |
| Amortisation of intangible assets | 345,857 | 69,670 |
| Foreign exchange gains | (247,384) | (40,819) |
| (Gain)/loss on disposal of tangible fixed assets | (157,700) | 55,816 |
| Taxation | 1,469,696 | 1,231,694 |
| Operating cash flows before movements in working capital | <u>3,296,290</u> | <u>5,843,406</u> |
| Increase in trade and other debtors | (826,577) | (3,946,450) |
| Increase in trade and other creditors | 1,105,232 | 3,408,469 |
| Cash generated from operations | <u><u>3,574,945</u></u> | <u><u>5,305,425</u></u> |

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

22 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|------------------------|--|--|
| Aggregate compensation | 2,120,064 | 1,717,129 |

Transactions between the Company and its related parties are disclosed below

| | 31 December 2015 £ | 31 December 2014 £ |
|-----------------------------|--------------------------|--------------------------|
| Dividends paid to directors | - | 80,000 |

The following amounts were outstanding at the reporting end date

| | 31 December 2015 £ | 31 December 2014 £ |
|-----------------------------------|--------------------------|--------------------------|
| Amounts owed to related parties | - | 23,290 |
| Amounts owed from related parties | - | - |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of amounts owed by related parties.

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33 Related Party Disclosures.

23 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The directors regard BlueFocus International Group, a company incorporated in China, as the intermediate parent undertaking by virtue of its interest in the share capital of the company. The ultimate parent undertaking is BlueFocus Communications Group. The largest and smallest undertaking for which consolidated accounts are prepared is Bluefocus International Group. The accounts of BlueFocus Communication Group are available from Universal Creative Park, 9 Juxianqiao North Road, Cha Yang District, Beijing, 100015, China.

We Are Very Social Limited
NOTES TO THE FINANCIAL STATEMENTS
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24 RECONCILIATION ON ADOPTION OF FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on;

- (i) the consolidated equity at the date of transition to FRS 102;
- (ii) the consolidated equity at the end of the comparative period,
- (iii) the consolidated profit or loss for the comparative period reported under previous UK GAAP,

are given below.

There were no effects due to the transition to FRS 102 on,

- (iv) the company equity at the date of transition to FRS 102,
- (v) the company equity at the end of the comparative period, and
- (vi) the company profit or loss for the comparative period reported previous UK GAAP

Under FRS 102, the Consolidated Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Consolidated Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing

| RECONCILIATIONS OF CONSOLIDATED EQUITY | Notes | 30 June 2013 £ | 31 December 2014 £ |
|--|-------|----------------------|--|
| Consolidated equity as previously reported under previous UK GAAP | | 4,440,292 | 14,194,794 |
| Acquisition of minority interests of subsidiaries post 1 July 2013 | (a) | - | (3,440,555) |
| Acquisition of share capital of We Are Social Srl | (b) | - | (193,859) |
| Accrual for untaken holiday pay | (c) | (65,188) | (58,578) |
| Consolidated equity reported under FRS 102 | | <u>4,375,104</u> | <u>10,501,802</u> |
| | | | |
| RECONCILIATIONS OF CONSOLIDATED PROFIT OR LOSS | Notes | | 18 months to 31 December 2014 £ |
| Consolidated profit or loss as previously reported under previous UK GAAP | | | 3,682,398 |
| Acquisition of minority interests of subsidiaries post 1 July 2013 | (a) | | 134,048 |
| Acquisition of share capital of We Are Social Srl | (b) | | - |
| Accrual for untaken holiday pay | (c) | | 6,610 |
| Consolidated profit or loss reported under FRS 102 | | | <u>3,823,056</u> |

We Are Very Social Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

- a) Under previous UK GAAP, the Group has recognised goodwill of £3,574,603 in respect of the acquisition of additional share capital in subsidiary undertakings, such that the subsidiaries became wholly owned by the group and the non-controlling interest was eliminated. Under FRS 102, the transaction has been accounted for as a transaction between equity holders with any differences between consideration paid and the carrying value of non-controlling interests recognised in the profit or loss reserve

In addition, under previous UK GAAP, goodwill amortisation of £134,048 was recognised in profit or loss during the period ended 31 December 2014. Under FRS 102 there is no goodwill balance and therefore no amortisation is recognised in profit or loss

- b) On 1 April 2014, the Group acquired the remaining share capital of We Are Social SRL, which had previously been accounted for as an associate in the Group financial statements. Under previous UK GAAP, goodwill of £1,857,863 had been recognised in relation to this becoming a wholly owned subsidiary. Under FRS 102, goodwill on acquisition is £1,664,004

Therefore, under FRS 102, an amount of £193,858 was recognised directly in equity, representing the impairment of the carry amount of the investment, measured using the equity method, to cost

- c) An accrual for holiday pay has been recognised on transition to FRS 102. At the transition date, the accrual was £65,188. At 31 December 2014, the accrual was £58,857 with an amount of £nil recognised directly in profit or loss

We Are Very Social Limited
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2015

| | 12 months to 31 December 2015 | | 18 months to 31 December 2014 | |
|---|-------------------------------------|------------------|-------------------------------------|--------------------|
| | £ | £ | £ | £ |
| TURNOVER | | | | |
| Sales | | | | 244,381 |
| Management charges receivable | | 1,469,405 | | 1,574,097 |
| | | <u>1,469,405</u> | | <u>1,818,478</u> |
| COST OF SALES | | | | |
| Direct costs | 70,572 | | 104,786 | |
| Wages and salaries (excluding NI) | 835,375 | | 1,014,936 | |
| Directors' remuneration | - | | - | |
| | | <u>(905,948)</u> | | <u>(1,119,722)</u> |
| GROSS PROFIT | | <u>563,457</u> | | <u>698,756</u> |
| Administrative expenses | | (614,005) | | (723,422) |
| Operating profit/(loss) | | <u>(50,548)</u> | | <u>(24,666)</u> |
| OTHER INTEREST RECEIVABLE AND SIMILAR INCOME | | | | |
| Bank interest received | - | | - | |
| INCOME FROM INVESTMENTS | | | | |
| Interest received from subsidiary undertaking | 52,337 | | 57,103 | |
| Dividends received from participating ints | - | | - | |
| Profit/(loss) on disposal of unlisted investment | - | | - | |
| | | <u>52,337</u> | | <u>57,103</u> |
| INTEREST PAYABLE | | | | |
| Interest paid to group companies | | (93,729) | | (105,147) |
| Bank interest payable | | (491) | | (528) |
| PROFIT/(LOSS) BEFORE TAXATION | | <u>(92,432)</u> | | <u>(73,239)</u> |

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We Are Very Social Limited
SCHEDULE OF ADMINISTRATIVE EXPENSES
for the year ended 31 December 2015

| | 12 months to 31 December 2015 £ | 18 months to 31 December 2014 £ |
|-------------------------------------|--|--|
| ADMINISTRATIVE EXPENSES | | |
| Wages and salaries | - | - |
| Rent | 95,809 | 42,677 |
| Printing, postage and stationery | 1,690 | 888 |
| Advertising | 25,000 | 25,043 |
| Telephone | 34,664 | 36,834 |
| Computer running costs | 7,649 | 7,049 |
| Travelling expenses | 135,867 | 127,271 |
| Entertaining | 1,131 | 1,954 |
| Legal and professional | 77,487 | 217,022 |
| Accountancy | 62,266 | 29,457 |
| Audit fees | 53,004 | 30,000 |
| Bank charges | 2,376 | 1,473 |
| Profit/loss on foreign currency | 65,447 | 134,653 |
| Staff welfare | (32,842) | 4,514 |
| Sundry expenses | 37,445 | 12,580 |
| Subscriptions | 10,298 | 8,791 |
| Depreciation on plant and machinery | (10,860) | 2,907 |
| Insurance | 47,573 | 40,309 |
| | <u>614,005</u> | <u>723,422</u> |

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