

**We Are Very Social Limited**  
**REPORT AND FINANCIAL STATEMENTS**

31 December 2016



Company Registration No. 07182380

# We Are Very Social Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

N McDonald  
R Grant  
W Zhao  
H Zheng  
H Shen

### 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

### BANK

Barclays Bank PLC  
27 Soho Square  
London  
W1D 3QR

# We Are Very Social Limited

## STRATEGIC REPORT

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### REVIEW OF BUSINESS

The period covered by this report is 12 months to 31 December 2016. During the year the operating profit was £5.4m, up 83% on prior year. The Group continues to experience strong organic growth globally.

### FUTURE DEVELOPMENTS

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

### KEY PERFORMANCE INDICATORS

The table below sets out what are considered to be the key performance indicators for the business, benchmarked to last year's performance.

Strong organic growth across the Group's international offices generated 58% increase in gross profit to £20.5m. The Group benefited from exchange rate fluctuations during the year which also contributed towards 80% growth in operating profit to £5.4m.

£million's	31 Dec 2016	31 Dec 2015	% change
Turnover	59.3	43.2	37%
Gross Profit	20.5	13.0	58%
Operating Profit	5.4	3.0	80%
Operating Margin	9%	7%	29%
Net Profit	4.3	1.4	207%
Group Net Assets	15.8	11.8	34%
Average Headcount	550	459	20%

### 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 Hong Kong.

By order of the board

R Grant  
Director

Date:

  
19<sup>th</sup> APRIL 2017

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# We Are Very Social Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of We Are Very Social Limited for the year ending 31 December 2016.

### 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 from a number of international offices.

The principal activity of the company continues to be to 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 2016 (2015: £Nil).

### DIRECTORS

The following directors held office during the year

N McDonald

R Grant

W Zhao

X Zhang (Resigned 11<sup>th</sup> April 2017)

H Zheng (Appointed 14<sup>th</sup> March 2016)

Y Chen (Resigned 14<sup>th</sup> March 2016)

H Shen (Appointed 13<sup>th</sup> April 2017)

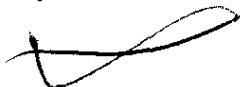
### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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 have 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, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board



R Grant

Date: 19<sup>th</sup> APRIL 2017

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# We Are Very Social Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 and the company'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 the company 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

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## **Opinion on financial statements**

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 32. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **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 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 and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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.

## **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.

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.

RSM UK Audit LLP

DAVID BLACHER (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

Date: 19 APRIL 2017

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**We Are Very Social Limited**  
**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2016

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	<i>Notes</i>	31 December 2016 £	31 December 2015 £
TURNOVER	1	59,337,527	43,196,800
Cost of sales		(38,849,180)	(30,142,284)
<b>GROSS PROFIT</b>		<u>20,488,347</u>	<u>13,054,516</u>
Administrative expenses		(15,061,400)	(10,096,001)
<b>OPERATING PROFIT</b>	2	<u>5,426,947</u>	<u>2,958,515</u>
Interest payable and similar charges	7	(79,102)	(107,924)
Interest receivable and similar income	6	4,583	62,948
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>5,352,428</u>	<u>2,913,538</u>
Taxation	8	(1,028,745)	(1,469,696)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>4,323,683</u></u>	<u><u>1,443,842</u></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 2016

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	2016 £	2015 £
PROFIT FOR THE YEAR	4,323,683	1,443,842
<b>OTHER COMPREHENSIVE INCOME NET OF TAXATION</b>		
Currency translation differences on foreign currency net investments	(236,084)	(247,384)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>(236,084)</u>	<u>(247,384)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>4,087,599</u>	<u>1,196,458</u>

# We Are Very Social Limited


## CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2016

Company Registration No. 07182380

	Notes	31 December 2016 £	Group 31 December 2015 £	31 December 2016 £	Company 31 December 2015 £
<b>FIXED ASSETS</b>					
Goodwill	9	1,248,923	1,421,188	-	-
Other intangible assets	10	862,930	332,504	-	-
Total intangible assets		2,111,853	1,753,692	-	-
Tangible assets	11	3,633,473	3,296,946	22,192	18,086
Investments	12	-	-	13,345,343	9,015,616
		5,745,326	5,050,638	13,367,535	9,033,702
<b>CURRENT ASSETS</b>					
Debtors	13	17,810,220	13,674,341	2,528,829	5,190,216
Cash at bank and in hand		8,178,997	4,003,725	1,118,611	82,515
		25,989,217	17,678,066	3,647,440	5,272,731
CREDITORS: Amounts falling due within one year	14	(15,948,684)	(10,962,431)	(7,789,274)	(5,134,639)
NET CURRENT ASSETS		10,040,533	6,715,635	(4,141,834)	138,092
TOTAL ASSETS LESS CURRENT LIABILITIES		15,785,859	11,766,273	9,225,701	9,171,794
Provision for liabilities	15	-	(68,013)	-	-
NET ASSETS		15,785,859	11,698,260	9,225,701	9,171,794
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	31,298	31,298	31,298	31,298
Other reserves	18	2,818	2,818	(30,211)	-
Capital contribution		6,803,706	6,803,706	6,803,706	6,803,706
Profit and loss reserve		8,948,037	4,860,438	2,420,908	2,336,790
		15,785,859	11,698,260	9,225,701	9,171,794

The financial statements on pages 6 to 32 were approved by the board of directors and authorised for issue on 19<sup>TH</sup> APRIL 2017 and are signed on its behalf by:



R Grant  
Director

# The Are Very Social Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY December 2016

Company Registration No. 07182380

	Share Capital £	Capital Contribution £	Other Reserves £	Profit and loss reserve £	Total £
LANCE AT 31 DECEMBER 2014	31,298	6,803,706	2,818	3,663,980	10,501,802
Profit for the period	-	-	-	1,443,842	1,443,842
Minority comprehensive income, net of taxation.	-	-	-	(247,384)	(247,384)
Total comprehensive income for the period	-	-	-	1,196,458	1,196,458
Dividends	-	-	-	-	-
LANCE AT 31 DECEMBER 2015	31,298	6,803,706	2,818	4,860,438	11,698,260
Profit for the year	-	-	-	4,323,683	4,323,683
Minority comprehensive income, net of taxation.	-	-	-	(236,084)	(236,084)
Total comprehensive income for the year	-	-	-	4,087,599	4,087,599
Dividends	-	-	-	-	-
LANCE AT 31 DECEMBER 2016	31,298	6,803,706	2,818	8,948,037	15,785,859

The capital contribution relates to the acquisition of historic non-controlling interests, payment for which was made by the ultimate parent and classified as a capital contribution. The profit and loss reserve represents accumulated profits less transfers and distributions to owners. The reserves comprise the articles of association reserve and the share option reserve (see note 18).

# We Are Very Social Limited

## COMPANY STATEMENT OF CHANGES IN EQUITY 1 December 2016

Company Registration No. 07182380

	Share capital £	Capital Contribution £	Other Reserves £	Profit and loss reserve £	Total £
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
Profit for the year	-	-	-	84,118	84,118
Other comprehensive income, net of taxation:	-	-	(30,211)	-	(30,211)
Total comprehensive income for the year	-	-	(30,211)	84,118	53,907
Dividends	-	-	-	-	-
BALANCE AT 31 DECEMBER 2016	31,298	6,803,706	(30,211)	2,420,908	9,225,701

The capital contribution relates to the acquisition of historic non-controlling interests, payment for which was made by the ultimate parent and classified as a capital contribution. The profit and loss reserve represents accumulated profits less transfers and distributions to owners.

**We Are Very Social Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2016

	<i>Notes</i>	2016 £	2015 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	20	7,750,262	3,574,945
Interest paid		(79,102)	(47,118)
Income taxes paid		(1,542,132)	(1,361,571)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>6,129,028</u>	<u>2,166,256</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(987,247)	(2,261,770)
Purchase of intangible fixed assets		(971,092)	-
Interest received		4,583	2,141
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(1,953,756)</u>	<u>(2,259,629)</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>4,175,272</u>	<u>(93,373)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		4,003,725	4,097,098
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u>8,178,997</u>	<u>4,003,725</u>
Relating to:			
Bank balances and short-term deposits included in "Cash at bank and in hand"		8,178,997	4,003,725

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### 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.*

##### **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.

##### **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 profit for the year was £84,118 (2015: loss of £94,770).

##### **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.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

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 the sale of public relations 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.

#### **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.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

##### *Research and development (continued)*

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

##### **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.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

##### **Impairments of fixed assets (continued)**

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 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.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

##### ***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.

##### **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 payments 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

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

##### **Taxation (continued)**

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.

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.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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#### ACCOUNTING POLICIES (CONTINUED)

##### **Foreign exchange (continued)**

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.

##### **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.



**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

4	<b>EMPLOYEES</b>	2016 No.	2015 No.
	The average monthly number of persons (including directors) employed by the group during the year was:		
	Directors	16	1
	Senior managers	70	70
	Consultants	409	335
	Administration	55	40
		<u>550</u>	<u>459</u>

	31 December 2016 £	31 December 2015 £
Staff costs for above persons.		
Wages and salaries	24,378,191	17,398,398
Social security costs	2,970,630	2,050,859
Pension costs	808,383	593,670
	<u>28,157,204</u>	<u>20,042,927</u>

5	<b>DIRECTOR'S REMUNERATION</b>	31 December 2016 £	31 December 2015 £
	Remuneration for qualifying services	3,038	175,716
		<u>3,038</u>	<u>175,716</u>

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

	31 December 2016 £	31 December 2015 £
Remuneration for qualifying services	2,010	86,216
	<u>2,010</u>	<u>86,216</u>

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 2016

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6	INTEREST RECEIVABLE AND SIMILAR INCOME	31 December 2016 £	31 December 2015 £
	INTEREST INCOME		
	Interest on bank deposits	4,583	2,141
	Interest receivable from group companies	-	60,807
	Total interest receivable	<u>4,583</u>	<u>62,948</u>
7	INTEREST PAYABLE AND SIMILAR CHARGES	31 December 2016 £	31 December 2015 £
	<i>Interest on financial liabilities measured at amortised cost:</i>		
	On bank loans and overdrafts	<u>79,102</u>	<u>107,924</u>

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

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8	TAXATION	31 December 2016 £	31 December 2015 £
	Current tax:		
	UK corporation tax on profits of the period	718,226	378,431
	Adjustments in respect of previous periods	54,492	(10,091)
	Double Taxation relief	(5,071)	(10,091)
	Foreign corporation tax	684,840	939,310
	Adjustments in foreign tax in respect of prior periods	5,744	-
	Total current tax	<u>1,458,231</u>	<u>1,307,650</u>
	Deferred taxation:		
	Origination and reversal of timing differences	(429,486)	162,046
	Total tax on profit on ordinary activities	<u>1,028,745</u>	<u>1,469,696</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 21% to 20% from 1 April 2015.

# We Are Very Social Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2016

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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:

	31 December 2016 £	31 December 2015 £
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (20%). The differences are explained below:		
Profit on ordinary activities before tax	(5,352,428)	(2,913,538)
Profit on ordinary activities multiplied by average rate of corporation tax in the UK 20% (2015: 20.25%)	878,871	589,991
Effects of:		
Fixed asset differences	43,048	-
Expenses not deductible for tax purposes	84,783	42,225
R&D expenditure credits	(40,550)	-
Foreign tax - other	164,797	-
Foreign tax adjustments	(79,358)	854,114
Deferred tax adjustments	(22,846)	-
Adjustment to tax charge in respect of previous periods	-	(10,091)
Other short term timing differences	-	(6,543)
Tax charge for year	<u>1,028,745</u>	<u>1,469,696</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 2016**

9	GOODWILL	Goodwill £
	GROUP	
	Cost	
	1 January 2016 & 31 December 2016	1,664,005
	Amortisation	
	1 January 2016	242,816
	Charge for the year	172,266
	31 December 2016	415,082
	Net book value	
	31 December 2016	1,248,923
	31 December 2015	1,421,188

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.

10	OTHER INTANGIBLE ASSETS	Purchased software £	Development costs £	Total £
	GROUP			
	Cost			
	1 January 2016	7,269	652,867	660,136
	Additions	30,181	940,911	971,092
	Disposals	-	(117,721)	(117,721)
	31 December 2016	37,450	1,476,057	1,513,507
	Amortisation			
	1 January 2016	3,656	323,976	327,632
	Charge for the year	13,599	309,346	322,945
	31 December 2016	17,255	633,322	650,577
	Net book value			
	31 December 2016	20,195	842,735	862,930
	31 December 2015	3,613	328,891	332,504

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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11 TANGIBLE FIXED ASSETS	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>GROUP</b>				
Cost				
1 January 2016	182,297	1,960,694	2,277,868	4,420,859
Additions	28,104	629,405	329,738	987,247
31 December 2016	<u>210,401</u>	<u>2,590,099</u>	<u>2,607,606</u>	<u>5,408,106</u>
Depreciation				
1 January 2016	129,271	583,918	410,724	1,123,913
Charged in the year	77,440	507,069	66,211	650,720
31 December 2016	<u>206,711</u>	<u>1,090,987</u>	<u>476,935</u>	<u>1,774,633</u>
Net book value				
31 December 2016	<u>3,690</u>	<u>1,499,112</u>	<u>2,130,671</u>	<u>3,633,473</u>
31 December 2015	<u>53,026</u>	<u>1,376,776</u>	<u>1,867,144</u>	<u>3,296,946</u>
<b>COMPANY</b>				
			Plant and machinery £	Total £
Cost				
1 January 2016			23,114	23,114
Additions			16,000	16,000
31 December 2016			<u>39,114</u>	<u>39,114</u>
Depreciation				
1 January 2016			5,028	5,028
Charged in the year			11,894	11,894
31 December 2016			<u>16,922</u>	<u>16,922</u>
Net book value				
31 December 2016			<u>22,192</u>	<u>22,192</u>
31 December 2015			<u>18,086</u>	<u>18,086</u>

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

12	FIXED ASSETS INVESTMENTS	Shares in group undertakings
	COMPANY	£
	Cost	
	1 January 2016 & 31 December 2016	9,015,616
	Change in The Year	4,329,727
	Net book value	<u>                    </u>
	At 31 December 2016	13,345,343
	At 31 December 2015	<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 2016 are as follows:

Company	Country of registration or incorporation	Shares held Class	%
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	China	Ordinary	100
We Are Social Limited	Hong Kong	Ordinary	100

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

\*\*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 2016**

13	DEBTORS	31 December	Group	31 December	Company
		2016	31 December	2015	31 December
		£	£	£	£
	Due within one year:				
	Trade debtors	11,766,360	8,899,000	-	-
	Amounts due from subsidiary undertakings	-	-	2,400,081	5,013,264
	Other debtors	1,677,435	1,503,423	(8,033)	2,794
	Prepayments and accrued income	3,971,409	3,271,918	94,872	132,249
	Amounts due from group undertakings	33,543	-	-	-
		<u>17,448,747</u>	<u>13,674,341</u>	<u>2,486,920</u>	<u>5,148,307</u>
	Due in more than one year:				
	Deferred tax asset (see note 15)	361,473	-	41,909	41,909
		<u>361,473</u>	<u>-</u>	<u>41,909</u>	<u>41,909</u>
	Total debtors	<u>17,810,220</u>	<u>13,674,341</u>	<u>2,528,829</u>	<u>5,190,216</u>
14	CREDITORS: Amounts falling due within one year	31 December	Group	31 December	Company
		2016	31 December	2016	31 December
		£	£	£	£
	Trade creditors	2,852,078	1,692,160	27,376	66,223
	Amounts owed to subsidiary undertakings	-	-	7,406,134	4,912,067
	Corporation tax payable	217,144	301,056	272,197	-
	Other taxation and social security	2,445,722	2,090,810	(51,200)	(28,411)
	Directors current accounts	-	-	-	-
	Other creditors	2,270,212	1,524,686	20,832	101,058
	Accruals and deferred income	7,798,667	5,353,719	84,639	83,702
	Amounts owed to group undertakings	364,861	-	29,296	-
		<u>15,948,684</u>	<u>10,962,431</u>	<u>7,789,274</u>	<u>5,134,639</u>

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2016

15	PROVISIONS FOR LIABILITIES	2016 £	Group 2015 £	2016 £	Company 2015 £
	Deferred tax liabilities	-	(68,013)	-	-

Provision for deferred tax has been made as follows:

		Group 2016 £	Company 2016 £
	Deferred tax liabilities	(91,591)	-
	Deferred tax assets	453,064	41,909
	Net position at 31 December 2016	361,473	41,909

The major deferred tax liabilities and assets recognised are:

Deferred tax liabilities	2016 £	Group 2015 £	2016 £	Company 2015 £
Accelerated capital allowances	91,591	110,129	-	205
	<u>91,591</u>	<u>110,129</u>	<u>-</u>	<u>205</u>

Deferred tax assets	2016 £	Group 2015 £	2016 £	Company 2015 £
Other timing differences	453,064	42,116	41,909	42,116
	<u>453,064</u>	<u>42,116</u>	<u>41,909</u>	<u>42,116</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 2016**

16	Financial instruments	Group	
		2016	2015
		£	£
	<b>Carrying amount of financial assets</b>		
	Debt instruments measured at amortised cost	24,858,427	16,759,934
		<u>24,858,427</u>	<u>16,759,934</u>
	<b>Carrying amount of financial liabilities</b>		
	Measured at amortised cost	9,483,888	5,065,209
		<u>9,483,888</u>	<u>5,065,209</u>
17	SHARE CAPITAL	2016	
		£	2015
		£	£
	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 2016**

18 OTHER RESERVES	Articles of association reserve	Share option reserve	Total
GROUP	£	£	£
BALANCE AT 31 DECEMBER 2015			
Transfer to profit or loss on expiry of options	-	-	-
BALANCE AT 31 DECEMBER 2015	<u>2,818</u>	<u>-</u>	<u>2,818</u>
BALANCE AT 31 DECEMBER 2016	<u>2,818</u>	<u>-</u>	<u>2,818</u>

19 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:

	2016	2015
	£	£
Expiry date:		
Within one year	2,053,949	1,192,197
Between two and five years	10,252,828	7,945,969
In over five years	6,899,267	6,830,323
	<u>19,206,044</u>	<u>15,968,489</u>

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

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20	CASH GENERATED FROM OPERATIONS	2016 £	2015 £
	Profit for the year	4,323,682	1,443,842
	Adjustments for:		
	Depreciation	650,720	441,979
	Amortisation of intangible assets	495,210	345,857
	Foreign exchange gains	(217,759)	(247,384)
	Interest paid	79,102	107,924
	Interest receivable	(4,583)	(62,948)
	Loss/(gain) on disposal of intangible fixed assets	117,721	(157,700)
	Taxation	1,028,745	1,469,696
	Operating cash flows before movements in working capital	<u>6,472,838</u>	<u>3,341,266</u>
	Increase in trade and other debtors	(3,774,951)	(826,577)
	Increase in trade and other creditors	5,052,375	1,060,256
	Cash generated from operations	<u><u>7,750,262</u></u>	<u><u>3,574,945</u></u>

**We Are Very Social Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2016**

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21 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2016 £	2015 £
Aggregate compensation	2,068,907	2,120,064

Transactions between the Company and its related parties are disclosed below:

	31 December 2016 £	31 December 2015 £
Dividends paid to directors	-	-

The following amounts were outstanding at the reporting end date:

	31 December 2016 £	31 December 2015 £
Amounts owed to related parties	158,394	-
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.

22 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 Jiuxianqiao North Road, Cha Yang District, Beijing, 100015, China.