

Company Registration No. 07141790 (England and Wales)

STINK DIGITAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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STINK DIGITAL LIMITED

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STINK DIGITAL LIMITED

COMPANY INFORMATION

Directors	Daniel Bergmann James Morris
Secretary	Ewoudt Lotter
Company number	07141790
Registered office	Morelands 5-23 Old Street London EC1V 9HL
Auditor	H W Fisher & Company Acre House 11-15 William Road London NW1 3ER United Kingdom

STINK DIGITAL LIMITED

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STINK DIGITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business

Since the company was founded in 2010, Stink Digital Limited has grown extensively over the years. The company are experts in combining branded content, film, products, social media and interactive experiences to create the unexpected for brands.

The company has also expanded its business operations by the addition of a Content division to its activities, focusing on branded content, with a contribution of 51% to annual revenue. The directors are not aware, at the date of this report, of any likely changes in the companies' activities in the forthcoming year.

The directors have considered the use of the going concern basis in the preparation of the financial statements and have concluded that it was appropriate.

The company's key measurement of the effectiveness of its operations is the margin of operating profit, before depreciation, amortisation and impairment of goodwill, which decreased to £651,287 in 2017 from £1,046,389 in 2016. This is due to several factors, mainly insufficient revenue in comparison to both the target budget and increased OPEX requirement of the Content division. Profitability remains a key focus for 2018.

The balance sheet on page seven shows the financial position at the year end. The net current assets increased to £1,698,833, from £1,208,323 in 2016. The business has good credit controls in place to enable it to maintain a cash positive working capital position.

These KPIs are monitored on a monthly basis as part of the management review process.

Financial risk management

Stink Digital Limited's operations expose it to limited financial risks that included credit risk and foreign exchange risk. Given the size of Stink Digital Ltd, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the companies finance department.

Credit risk

The company has implemented policies that require appropriate credit verification procedures on potential customers. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Foreign exchange risk

The company actively manages foreign exchange rate risk.

Future prospects

The company has grown year on year since it was founded. The Digital/Interactive and Content landscape has changed over the last three years with a significant shift from agency to brand direct work. The company continues to adapt to these changes to ensure it is strongly positioned to take advantage of new business opportunities.

On behalf of the board



James Morris

Director

12/07/2018

STINK DIGITAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company continued to be that of a TV production company.

Directors

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

Daniel Bergmann
James Morris

Results and dividends


The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


.....
James Morris

Director

Date: 12/07/2018

STINK DIGITAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STINK DIGITAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STINK DIGITAL LIMITED

Opinion

We have audited the financial statements of Stink Digital Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

STINK DIGITAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STINK DIGITAL LIMITED

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 material misstatements in the Strategic Report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Simon Mott-Cowan (Senior Statutory Auditor)
for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

12/07/2018

STINK DIGITAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	7,182,613	4,931,069
Cost of sales		(3,460,408)	(1,910,887)
Gross profit		3,722,205	3,020,182
Administrative expenses		(3,094,120)	(2,093,435)
Other operating income		-	102,241
Operating profit	4	628,085	1,028,988
Interest receivable and similar income		2	-
Interest payable and similar expenses		(2,700)	-
Profit before taxation		625,387	1,028,988
Tax on profit	6	(119,860)	(209,963)
Profit for the financial year		505,527	819,025

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

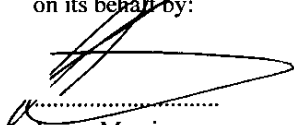
STINK DIGITAL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	7		52,455		37,438
Investments	8		100		100
			<u>52,555</u>		<u>37,538</u>
Current assets					
Stocks	11	-		9,411	
Debtors	12	1,767,209		998,690	
Cash at bank and in hand		698,738		1,267,033	
		<u>2,465,947</u>		<u>2,275,134</u>	
Creditors: amounts falling due within one year	13	(767,114)		(1,066,811)	
Net current assets			<u>1,698,833</u>		<u>1,208,323</u>
Total assets less current liabilities			<u>1,751,388</u>		<u>1,245,861</u>
Capital and reserves					
Called up share capital	15		100		100
Profit and loss reserves			<u>1,751,288</u>		<u>1,245,761</u>
Total equity			<u>1,751,388</u>		<u>1,245,861</u>

The financial statements were approved by the board of directors and authorised for issue on 12/07/2018 and are signed on its behalf by:



James Morris

Director

12/07/2018

Company Registration No. 07141790

STINK DIGITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2016	100	426,736	426,836
Year ended 31 December 2016:			
Profit and total comprehensive income for the year	-	819,025	819,025
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	100	1,245,761	1,245,861
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	505,527	505,527
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	100	1,751,288	1,751,388
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

STINK DIGITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	18	(276,315)		963,627	
Interest paid		(2,700)		-	
Income taxes paid		(251,063)		(27,265)	
Net cash (outflow)/inflow from operating activities		(530,078)		936,362	
Investing activities					
Purchase of tangible fixed assets		(38,219)		(11,141)	
Interest received		2		-	
Net cash used in investing activities		(38,217)		(11,141)	
Net cash used in financing activities		-		-	
Net (decrease)/increase in cash and cash equivalents		(568,295)		925,221	
Cash and cash equivalents at beginning of year		1,267,033		341,812	
Cash and cash equivalents at end of year		698,738		1,267,033	

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Stink Digital Limited is a private company limited by shares incorporated in England and Wales. The registered office is Morelands, 5-23 Old Street, London, EC1V 9HL.

1.1 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.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Stink Digital Limited is a subsidiary of Stink Holdings Limited and the results of Stink Digital Limited are included in the consolidated financial statements of Stink Holdings Limited which are available from 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is estimated by comparing costs incurred, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Amounts invoiced in excess of income are included within deferred income. Income recognised in excess of amounts invoiced is included within accrued income.

1.4 Tangible fixed assets

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

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

Leasehold improvements	2-6 years straight line
Plant and equipment	2-6 years straight line
Fixtures and fittings	2-6 years straight line

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

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.5 Fixed asset investments

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

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

1.6 Impairment of fixed assets

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

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.

1.7 Stocks

Stocks relate to work in progress and are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks,

1.9 Financial instruments

The company 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 instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

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

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.11 Taxation

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

Current tax

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

Deferred tax

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

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

1.12 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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

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

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Project profitability

The directors are required to review ongoing projects not completed as at 31 December 2017 to ensure that revenue is correctly recognised based on the stage of completion.

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
TV production	7,182,613	4,931,069
	<hr/>	<hr/>
	2017 £	2016 £
Other significant revenue		
Interest income	2	-
	<hr/>	<hr/>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	4,932,224	3,548,242
Rest of the world	2,250,389	1,382,827
	<hr/>	<hr/>
	7,182,613	4,931,069
	<hr/>	<hr/>

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(31,713)	(80,674)
Research and development costs	12,517	18,578
Fees payable to the company's auditor for the audit of the company's financial statements	7,672	6,828
Depreciation of owned tangible fixed assets	23,202	17,401
Operating lease charges	201,544	143,844
	<u> </u>	<u> </u>

5 Employees

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

	2017	2016
	Number	Number
Staff	39	26
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	2,094,441	1,436,549
Social security costs	243,071	186,770
Pension costs	55,678	-
	<u> </u>	<u> </u>
	2,393,190	1,623,319
	<u> </u>	<u> </u>

6 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	119,860	209,963
	<u> </u>	<u> </u>

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	625,387	1,028,988
Expected tax charge based on a corporation tax rate of 19.25% (2016 - 20.00%)	120,387	205,798
Tax effect of expenses that are not deductible in determining taxable profit	1,347	3,673
Opening and closing deferred tax adjustments	(372)	(200)
Fixed asset timing differences	(2,654)	1,071
Other differences	1,152	(379)
Tax expense for the year	119,860	209,963

7 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2017	12,120	115,032	20,688	147,840
Additions	-	21,942	16,277	38,219
At 31 December 2017	12,120	136,974	36,965	186,059
Depreciation and impairment				
At 1 January 2017	12,120	81,104	17,178	110,402
Depreciation charged in the year	-	19,124	4,078	23,202
At 31 December 2017	12,120	100,228	21,256	133,604
Carrying amount				
At 31 December 2017	-	36,746	15,709	52,455
At 31 December 2016	-	37,438	-	37,438

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	9	100	100

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2017 & 31 December 2017	100
Carrying amount	
At 31 December 2017	100
At 31 December 2016	100

9 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking and country of incorporation	Class of shares held	% Held Direct
Stink Digital USA LLC United States of America	Ordinary shares	100.00

10 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,716,601	958,173
Carrying amount of financial liabilities		
Measured at amortised cost	506,408	696,262

11 Stocks

	2017 £	2016 £
Work in progress	-	9,411

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	695,425	626,998
Gross amounts due from contract customers	35,912	-
Amounts owed by group undertakings	597,963	148,244
Other debtors	36,987	646
Prepayments and accrued income	400,922	222,802
	<u>1,767,209</u>	<u>998,690</u>

13 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	121,321	181,079
Amounts due to group undertakings	-	64,689
Corporation tax	70,050	201,253
Other taxation and social security	198,966	156,796
Other creditors	-	9,391
Accruals and deferred income	376,777	453,603
	<u>767,114</u>	<u>1,066,811</u>

14 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>55,678</u>	<u>-</u>

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

15 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

STINK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Related party transactions

Transactions with related parties

During the year, sales of £1,008,065 (2016: £454,671) were made to fellow group undertakings for the provision of services.

During the year, purchases (including remuneration) of £623,405 (2016: £197,204) were made from fellow group undertakings, and £nil (2016: £95,942) were made from directors of group companies.

At the year end, the company was owed £597,964 (2016: £83,553 was owed to) to fellow group undertakings, and owed £nil (2016: £95,942) to directors of group companies.

17 Controlling party

The immediate parent company of Stink Digital Limited is Stink Limited, a company incorporated in England whose registered office is Morelands, 5-23 Old Street, London, EC1V 9HL.

The ultimate parent company of Stink Digital Limited is 2020 Group Limited, a company incorporated in Jersey, whose registered office is 4th Floor St Paul's Gate 22-24 New Street St Helier Jersey JE1 4TR.

18 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	505,527	819,025
Adjustments for:		
Taxation charged	119,860	209,963
Finance costs	2,700	-
Investment income	(2)	-
Depreciation and impairment of tangible fixed assets	23,202	17,401
Movements in working capital:		
Decrease in stocks	9,411	31,778
(Increase)/decrease in debtors	(768,519)	116,127
(Decrease) in creditors	(168,494)	(230,667)
Cash (absorbed by)/generated from operations	(276,315)	963,627

Stink Holdings Ltd.
Consolidated Financial Statements
For the Year ended 31 December 2017

Stink Holdings Ltd.

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Stink Holdings Ltd.

General information

Stink Holdings Ltd. ('the Group')

The Group has prepared these financial statements on a consolidated basis. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Principal activity of the Group

The Group's principal activities are the co-ordination and production of commercials and digital content, the majority of which are produced in the United Kingdom, France, United States of America, Germany, China, Brazil and Russia. Throughout the financial year 2017 the Group had operations in eight countries.

Changes in the Group in the reporting period

Increase in Group's share in Stink S.A.S., France

In January 2017 Stink Ltd. made an agreement to purchase a non-controlling interest in Stink S.A.S., France for a consideration of EUR 820 thousand. The acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%. The purchase was settled in cash from Stink S.A.S. reserves immediately after the transaction was completed.

Issue of growth shares to James Morris and Blake Powell.

In March 2016 the Stink Ltd. board approved the issue of 1,005 growth shares to James Morris, Global CEO of Stink Ltd., and 754 growth shares to Blake Powell, Global Head of Talent of Stink Ltd. for the nominal value of 1,005 GBP and 754 GBP respectively. The 1,005 and 754 growth shares represent 10% and 7.5% equity shareholdings in Stink Ltd. respectively in the Stink Ltd. consolidated reserves starting from 1.1.2016 (the growth shares do not have the right to consolidated profits accumulated by Stink Ltd. up to 31.12.2015 though). The transaction documentation for the issue was completed in June 2017.

Parent Company

Stink Holdings, Ltd. was incorporated as Stillking Film Holdings Ltd, a private limited liability company, on 29th October 2004. Stillking Film Holdings, Ltd. was renamed as Stink Holdings, Ltd. on 14th November 2014. The Company's registered office is 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey JE1 4TR, Channel Islands.

Directors:

Simon Owen Morgan
Peter Howard Gaskell
Gemma Louise Volsin

Supervisory Board:

None

Bankers:

RBS International
Royal Bank House
71 Bath Street
St Helier, Jersey
JE4 8PJ Channel Islands

Auditor:

BDO Audit, s.r.o.
Olbrachtova 1980/5
140 00 Prague 4
Czech Republic

Stink Holdings Ltd.

General information (continued)

Group Organisation

The following is a list of subsidiaries as at 31st December 2017. All amounts are expressed in GBP '000 unless stated otherwise.

Name and location	Principal activity	Shareholding	Share capital	Net equity as at 31 December 2017	Individual Entity Net Income/(loss) for the year ended 31 December 2017	Net equity as at 31 December 2016	Individual Entity Net Income/(loss) for the year ended 31 December 2016
<u>Parent Company</u>							
Stink Holdings Ltd – Jersey, Channel Islands	(a,e)	Parent	USD 18,108	(14)	(11)	(4)	543
<u>Subsidiaries (Stink Ltd.)</u>							
Stink Ltd – London, U.K. (5)	(c)	64,17%	GBP 10,978	948	(575)	1,941	73
Stink GmbH – Berlin, Germany (1)	(c,d)	64,17%	EUR 50,000	1,022	639	368	110
Stink (Shanghai) Co. Ltd. - Shanghai, China (1)	(c)	64,17%	CNY 2,918,721	2,770	1,348	1,475	(52)
Stink Hong Kong, Ltd. - Hong Kong (1)	(c)	64,17%	CNY 1	(95)	(111)	15	(54)
Stink S.A.S. – Paris, France (1)***	(c,d)	64,17% (36,5%)	EUR 40,000	978	(814)	1,561	508
Stink Digital Ltd. - London, U.K. (1)	(d)	51,34%	GBP 100	888	(374)	1,241	814
Stink Holding Inc. Delaware, U.S.A. (1)	(a,b)	64,17%	0 USD	-	-	-	-
Stink LLC – Los Angeles, U.S.A. (2)	(c)	64,17%	0 USD	785	447	423	300
OOO Stink - Moscow Russia (1)	(c)	64,17%	RUB 2,806,719	1,341	87	1,307	322
Stink Digital USA LLC, U.S.A. (4)	(d)	51,34%	USD 0	1,025	78	1,042	285
Stink SP Producao de Filmes LTDA, Sao Paulo, Brazil (1) **	(c)	35,94%	BRL 10,000	731	181	651	(117)
Front Productions, LLC, U.S.A. (3)	(c)	51,34%	USD 0	(4)	16	(21)	(2)
Stink CZ, s.r.o. (1)	(c)	64,17%	CZK 200,000	-	-	-	-

* Net Income excludes dividends paid

** The Group's ownership in Stink SP Producao de Filmes LTDA is held through Stink Ltd. Stink Ltd. has the legal ownership of Stink SP Producao de Filmes LTDA of 49% with the future right to acquire a further 7% through options exercisable on demand.

*** The acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%. In brackets share in reserves generated by Stink S.A.S. until 31st December 2016. With no brackets share in reserves generated by Stink S.A.S. after 1st January 2017.

- (1) Shareholding through Stink, Ltd., London, United Kingdom
- (2) Shareholding through Stink Holding Inc, Delaware, U.S.A.
- (3) Shareholding through Stink Digital USA LLC, New York, U.S.A.
- (4) Shareholding through Stink Digital, Ltd., London, United Kingdom
- (5) Shareholding through Stink Holdings Ltd, Jersey, Channel Islands

- (a) Holding company
- (b) Administration services
- (c) Commercial production and related services
- (d) Digital production and related services
- (e) Marketing and management of group activities

Stink Holdings Ltd.

Directors' report

Introduction

The directors present the consolidated financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of the Group are the co-ordination and production of commercials, music videos and feature films, the majority of which are produced in the Czech Republic, United Kingdom, U.S., France, Germany, China and Russia.

Holding company

The holding company, Stink Holdings Ltd. is incorporated and domiciled in Jersey, Channel Islands. Stink Holdings, Ltd. was formerly incorporated as Stillking Film Holdings, Ltd. and renamed as Stink Holdings, Ltd. on 14th November 2014.

Results for the year and review of business activities.

The results for the year are set out on page 10. Net income attributable to the equity holders of the Parent company amounted to GBP 868 thousand.

Operating results

The Group recorded a downturn in operating results mostly due to performance issues in digital and interactive content business in New York (Stinkdigital US, LLC) following the termination of the employment of the digital and interactive content managing director, Mark Pytlík. Paradoxically the US digital division was the strongest division of the Group in 2016. The weak performance of the New York office was, however, slightly set off by directors commercial production with the strongest territories being China and the US.

The Group kept investing into new areas (Content business) and rolling existing business lines into territories in which the Group operates (e.g. the Group rolled out digital business into China and is planning to roll out into Brazil and Germany) and expanding existing businesses into new territories (e.g. the Group is planning to further expand into Scandinavia, Netherlands, Southern Europe, Australia and Central America). Expenses related to the expansion have also contributed to the reduction in the operating performance of the Group in 2017.

Although the Group reports in British Pounds it tends to manage its currency positions in the basket of currencies it operates in being mostly US dollars, Euros and British Pounds.

Liquidity and capital resources

The Group has a credit line with Commerzbank to finance the working capital requirements of Stink GmbH, however none of it has been used by the Group as of 31st December 2017. The Group held cash balances of GBP 5,852 thousand as at 31 December 2017. Cash balances are primarily maintained in British Pounds, Euros and US Dollars.

Stink Holdings Ltd.

Directors' report (continued)

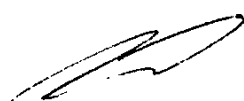
Statement of directors' responsibilities

The Company directors are required to prepare financial statements for each financial year that present fairly, in all material respects, the state of affairs of the Group at the end of the year and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

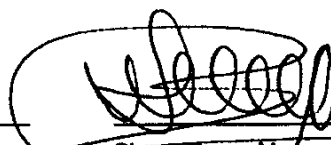
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board of Directors



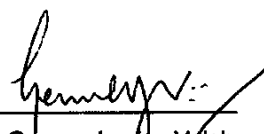
Martin Drozd, Group - Finance Director

19th July 2018



Simon Owen Morgan
Directors of Stink Holdings Ltd

19th July 2018



Gemma Louise Voisin



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Independent auditor's report

to the Shareholders of Stink Holdings Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Stink Holdings Ltd., based in St Paul's Gate, 22-24 New Street, St Heller, Jersey, JE1 4TR, Channel Islands ("the Group"), prepared with International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31. 12. 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period from 1. 1. 2017 to 31. 12. 2017, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Stink Holdings Ltd. as at 31 December 2017, and of its financial performance and its cash flows for the period from 1. 1. 2017 to 31. 12. 2017, in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Responsibilities of the Group's Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



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- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and potential significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague, on 19th July 2018

Audit company:

BDO Audit s. r. o.

BDO Audit s. r. o.
Certificate No. 018

Auditor:

JS

Ondřej Šnejdar
Certificate No. 1987

Stink Holdings Ltd.

Consolidated statement of financial position

GBP 000		31 December	
		2017	2016
ASSETS	Note		
CURRENT ASSETS			
Cash and cash equivalents	1	5,852	9,953
Receivables – net	2	12,612	12,605
Income tax receivable		487	-
Inventories	3	250	1,004
Prepayments and other current assets	4	4,351	5,220
Total current assets		23,552	28,782
NON-CURRENT ASSETS			
Property, plant and equipment	5	736	626
Intangible assets	5	190	179
Deferred tax asset	11	331	118
Loans receivable	10	-	8
Total non-current assets		1,257	931
TOTAL ASSETS		24,809	29,713
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	8	7,787	9,831
Income tax payable		227	979
Accruals, provisions and other current liabilities	9	6,808	9,078
Bank loans		26	5
Total current liabilities		14,848	19,893
NON-CURRENT LIABILITIES			
Deferred tax liability	11	66	289
Total non-current liabilities		66	289
EQUITY			
Share capital	13	10	10
Share premium		-	-
		10	10
Retained earnings	14	6,407	5,519
Currency translation adjustment	14	165	355
Equity attributable to equity holders of the parent		6,572	5,874
Non-controlling interest	12	3,313	3,647
Total equity		9,885	9,531
TOTAL LIABILITIES AND EQUITY		24,809	29,713

These financial statements are signed and authorized for issuance on behalf of the Group by:


Martin Drozd, Group - Finance Director


Simon Owen Morgan
Directors of Stink Holdings Ltd


Gemma Louise Voisin

19th July 2018

19th July 2018

The accompanying notes form an integral part of these financial statements

Stink Holdings Ltd.

Consolidated statement of comprehensive income

GBP 000

		31 December	
	Notes	2017	2016
Revenues	16, 18	87,112	81,405
Cost of services sold	16	(70,205)	(62,435)
Gross profit		16,907	18,970
Selling expenses	16	(3,155)	(1,902)
General and administrative expenses	16	(10,826)	(11,817)
Depreciation and amortization	5	(319)	(263)
Profit from operating activities		2,607	4,988
Other income/expenses		11	(173)
Financial income	17	148	343
Financial expenses	17	(311)	(237)
Income before tax provision and non-controlling interests		2,455	4,921
Provision for tax contingencies		(218)	(132)
Income before tax and non-controlling interests		2,237	4,789
Income taxes	19	(864)	(1,524)
Profit for the year		1,373	3,265
Other comprehensive income, net of income tax:			
Exchange differences on translating foreign operations		(354)	1,271
Other comprehensive income for the year, net of income tax		1,019	4,536
Net income attributable to:			
Equity holders of the parent		868	1,609
Non-controlling interests	12	505	1,656
		1,373	3,265
Total comprehensive income attributable to:			
Equity holders of the parent		676	2,232
Non-controlling interests		343	2,304
		1,019	4,536

Martin Drozd, Group - Finance Director

19th July 2018

Simon Owen Morgan
Directors of Stink Holdings Ltd

19th July 2018

Gemma Louise Voisin

The accompanying notes form an integral part of these financial statements

Stink Holdings Ltd.

Consolidated statement of changes in equity

GBP 000	Note	Share capital	Share premium	Retained earnings	Foreign currency reserve	Non-controlling interest	Total
At 1 January 2016		10	-	4,135	(288)	2,455	6,332
Income before non-controlling interest				3,265			3,265
Profit attributable to non-controlling interest holders	12			(1,656)		1,656	-
Currency translation adjustment	14				1,271		1,271
Dividend paid to non-controlling interest holders						(382)	(382)
Goodwill written-off on additional controlling interest acquisition				(301)		(654)	(955)
Non-controlling interest holders share of goodwill written off				76		(76)	-
Currency translation adjustment attributable to non-controlling interest holders	12				(648)	648	-
At 31 December 2016		10	-	5,519	355	3,647	9,531
Income before non-controlling interest				1,373			1,373
Profit attributable to non-controlling interest holders	12			(505)		505	-
Currency translation adjustment	14				(354)		(354)
Dividend paid to non-controlling interest holders						(281)	(281)
Goodwill written-off on additional controlling interest acquisition	12			(89)		(305)	(374)
Non-controlling interest holders share of goodwill written off	12			89		(89)	-
Currency translation adjustment attributable to non-controlling interest holders	12				164	(164)	-
At 31 December 2017		10	-	6,407	165	3,313	9,885

Martin Drozd, Group - Finance Director

Simon Owen Morgan
Directors of Stink Holdings Ltd

Gemma Louise Voisin

19th July 2018

19th July 2018

The accompanying notes form an integral part of these financial statements

Stink Holdings Ltd.

Consolidated statement of cash flows

GBP 000	31 December	
	2017	2016
Cash flow from operating activities		
Operating profit before taxation & non-controlling interests	2,237	4,789
Depreciation and amortisation	319	263
Goodwill written off	-	-
Provisions	327	99
Loss/(profit) on disposal of Property, plant and equipment	45	6
Loss/(profit) on disposal of intangible non-current assets	-	-
Impairment	-	-
Effect of deconsolidation of subsidiaries on cash	-	-
Unrealised foreign exchange (gains)/losses	(317)	1,224
Interest and investment (income)/ expenses	-	-
Operating Cash flow Before Working Capital adjustments	2,611	6,381
Working capital adjustments:		
Change in inventories	684	213
Change in receivables	819	(2,950)
Change in trade payables, accruals, customer advances and bonuses	(4,299)	3,428
Change in long term receivables	-	(1)
Cash Generated From Operations	(185)	7,071
Corporation Tax paid	(2,552)	(975)
Net cash from operating activities	(2,737)	6,096
Cash flow from investing activities		
Interest received	-	-
Purchases of Intangible FA's	(11)	6
Purchases of Tangible FA's	(498)	(139)
Cash paid for purchase of non-controlling interest	(574)	(525)
Redemption proceeds/ (Purchase) of other financial investments	-	-
Net cash from investing activities	(1,083)	(658)
Cash flow from financing activities		
Dividends paid	-	-
Interest paid on bank loan	-	-
Dividends paid to non-controlling interest holders	(281)	(382)
Cash proceeds on share subscription	-	-
Net cash from financing activities	(281)	(382)
Net increase/ (decrease) in cash	(4,101)	5,056
Cash at the beginning of the period	9,953	4,897
Cash at the end of the period	5,852	9,953

The accompanying notes form an integral part of these financial statements

Stink Holdings Ltd.

Accounting policies

The financial statements represent the financial position and results of operations of Stink Holdings Ltd. (the Company) and the group of entities controlled by Stink Holdings Ltd. (the Group) that are engaged in the operation of commercial and digital production.

A Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's) and its interpretations adopted by the EU. These financial statements are presented in thousands (000's) of UK pounds (GBP). The financial statements have been prepared using the historical cost basis.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The accounting policies of the Group as set out below have been applied consistently by Group entities and are consistent with those of the preceding year, except as a result of a change in accounting policies resulting from amendments to existing IFRSs.

B Basis of consolidation

These financial statements report the results and the net financial position of the Company. The companies that it controls are set out in Note 6.

Subsidiary undertakings

Subsidiary undertakings, which are those entities controlled by the Group, are consolidated. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The purchase method of accounting is used for external acquired businesses. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated (unrealised losses are also eliminated unless the cost cannot be recovered.)

Other matters

Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated in the same manner unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated undertakings includes goodwill (net of accumulated amortization) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking. To the extent that the Group has incurred such obligations, it continues to recognize its share of losses of the associated undertakings.

Stink Holdings Ltd.

Accounting Policies (continued)

C Foreign currency

The functional currency is the currency of the primary economic environment in which an entity operates. The consolidated financial statements are reported in thousands of UK Pounds unless otherwise stated. UK Pounds were selected as the presentation currency in order to unify the Group's management and external reporting.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

For the purpose of consolidation, the translation of subsidiaries' financial statements whose functional currency differs from UK Pounds is based on the following rates:

Statement of financial position assets and liabilities, including goodwill and fair value adjustments	Closing rate
Equity	Historical rate
Statement of comprehensive income	Rates approximating to the foreign exchange rates ruling at the dates of the transactions
Cash flow statement	Rates approximating to the foreign exchange rates ruling at the dates of the transactions

All resulting exchange differences arising from translation of the financial statements of group companies from their functional currency to GBP are not reflected in the statements of operations but are included in equity as a currency translation adjustment.

D Property, plant and equipment

Items of property, plant and equipment are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Fixtures and furniture	6 years
Computers	4 years
Office equipment	4 years
Cars	4 years
Buildings and constructions	30 years
Leasehold improvements	5 years

The useful lives, residual values and depreciation methods are reviewed annually.

Maintenance repairs, including minor renewals and improvements, are charged to income as incurred. The costs of major renovations and improvements are capitalized when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably.

Stink Holdings Ltd.

Accounting Policies (continued)

E Intangible assets

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the statement of financial position. Such goodwill is carried at cost less accumulated impairment losses.

Software and Scripts

Each intangible asset is assessed by the Group whether its useful life is finite or indefinite and, if finite, the length of that useful life. An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Software is valued at acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life of 4 years. Scripts are valued at acquisition cost less any impairment losses.

Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase.

F Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are stated at the present value of the minimum lease payments at the inception of the lease term less accumulated depreciation and impairment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded through the statement of comprehensive income as interest expenses.

Capitalized leased assets are depreciated over the estimated useful life of the asset. The useful lives of the assets correspond to the useful lives shown under headings D and E.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of comprehensive income on a straight-line basis over the lease term.

G Inventories

Inventories, including work in progress, are valued at the lower of cost or net realizable value. Net realizable value is determined as the selling price in the normal course of business, less the costs of completion and selling expenses. Cost is determined primarily on the basis of external direct costs, attributable to the work in progress.

H Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

I Prepayments and other current assets

Prepayments and other current assets are stated at cost less impairment losses.

Stink Holdings Ltd.

Accounting Policies (continued)

J Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

K Financial investments

During the year excess cash balances are invested with Flow Fund Ltd, an open end investment fund whose major objective is conservative growth and preservation of an investor's capital by hedging the positions within various financial instruments as well as commodities. Any gains/losses on the investment are recognised immediately in profit and loss.

L Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each statement of financial position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Stink Holdings Ltd.

Accounting Policies (continued)

M Share capital

Ordinary share capital is recognized at the nominal value. The excess of the consideration received by the Company over the nominal value is recorded on a Capital paid in excess of par account.

Dividends on ordinary shares are initially recognized as a liability in the period in which they are declared.

N Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

O Provisions

Provisions are recognized in the statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

P Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is recognized net of value added tax and discounts, and after eliminating the sales within the Group.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership are transferred to the customer. Revenue from rendering services is recognized by reference to the stage of completion of the transaction at the statement of financial position date. When the outcome of a service contract can be estimated reliably, contract revenue and contract costs are recognized over the period of the contract, respectively, as revenue and expenses. The contract fee recognizable up to the year-end is calculated as a multiple of the total fee and the percentage of project completion as at the year-end. The stage of completion of projects is measured on a time spent basis as a ratio of the time spent on the project up to the year-end and the total budgeted time to be spent on the project.

The aggregate of the revenue recognized on each contract is compared to progress billing. Where the revenue recognized exceeds the progress billings, the balance is shown under trade receivables. Where the progress billings exceed the revenues recognized, the balance is shown under trade payables.

Interest income is recognized on an accrual basis.

Q Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

R Income taxation

Current income tax is provided on taxable profits at the current rate of tax enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years. The taxation charge is calculated in accordance with the local regulations of the country in which the entity is located and is based on the result reported under local accounting regulations after adjustments for tax purposes.

Deferred taxation is provided using the statement of financial position liability method on all temporary timing differences, calculated at the enacted or substantially enacted tax rate determined based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities at the date they are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that a future taxable profit will be available against which the asset can be utilized. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Stink Holdings Ltd.

Accounting Policies (continued)

S Subsequent events

Post year-end events that provide additional information about the group's position at the statement of financial position date which are adjusting events are reflected in the financial statements. Non-adjusting events, which are material, are disclosed in the Notes.

T Financial Risk Management

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, overdrafts and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivatives shall be undertaken.

The funding objective of the Group is that each category of investment is broadly matched with liabilities and shareholder's funds according to the risk and maturity characteristics of the assets.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks which are summarized below.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group has credit lines. See Note 10 for further details.

(c) Foreign currency risk

As a result of its global operations, the Group's financial result can be impacted by movements in the US Dollar, Euro, Chinese Yuan, Russian Ruble and Brazilian Real to UK Pound exchange rates. The Group seeks to mitigate the effect of its structural currency exposure by borrowing in local operating currencies.

(d) Credit risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

(e) Liquidity risk

The Group monitors its risk of a shortage of funds by comparing the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations on a monthly basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Stink Holdings Ltd.

Accounting Policies (continued)

T Financial Risk Management (continued)

(f) Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other generally acceptable pricing models as appropriate. Underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

Current bank accounts

The fair value of current bank accounts corresponds to their carrying value. Since current bank accounts generally reprice in relatively short periods, their carrying value can be justifiably used as the fair value estimate.

Trade and other receivables

The fair value of trade and other receivables corresponds to their carrying value. Since trade and other receivables generally reprice in relatively short periods, their carrying value can be justifiably used as the fair value estimate.

Trade and other payables

The fair value of trade and other payables corresponds to their carrying value. Since trade and other payables generally reprice in relatively short periods, their carrying value can be justifiably used as the fair value estimate.

Loans and borrowings

The fair value of loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Stink Holdings Ltd.

Accounting Policies (continued)

U Changes in accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out above. The policies have been consistently applied to all the years presented, unless otherwise stated.

New standards, interpretations and amendments effective from 1 January 2017

New standards, amendments, interpretations and improvements to existing standards mandatory for accounting periods beginning on or after 1 January 2017, which are applied by the Group:

IFRS	Standard/ Interpretation	Effective in EU	Description	Effect
IAS 12	Income Taxes	1 January 2017	The amendment to IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired (for example, an investment in a fixed rate bond where the fair value has declined due to changes in interest rates, but the asset is not considered to have become impaired in value). Deductible temporary differences arise from unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale, or by holding it to maturity. Therefore, entities are required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met.	The standard did not result in any effect on the Group's consolidated financial statements.
IAS 7	Statement of Cash Flows	1 January 2017	These amendments aim to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to provide this disclosure would be to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities.	The standard did not result in any effect on the Group's consolidated financial statements.
IFRS 12	Disclosure of Interests in other entities	1 January 2017	The scope of IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those in paragraphs B10 - B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5.	The standard did not result in any effect on the Group's consolidated financial statements.

There are no other new standards, amendments, interpretations and improvements to existing standards that are effective for the financial year beginning on or after 1 January 2017 which have a material impact on the consolidated financial statements of the Group.

Stink Holdings Ltd.

Accounting Policies (continued)

New standards, amendments and interpretations to existing standards published not yet effective for accounting periods beginning on or after 1 January 2017

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are stated below. None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2017 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

IFRS	Standard/ Interpretation	Effective in EU	Description
IFRS 9	Financial Instruments	1 January 2018	The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.
IFRS 15	Revenue from Contracts with Customers	1 January 2018	The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.
IFRS 16	Leases	1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
IFRS 2	Share Based Payments	1 January 2018	<p>These amendments address the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The following is a summary of the clarifications and additional guidance:</p> <ul style="list-style-type: none">— The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment transaction are accounted for in accordance with the guidance for equity-settled share-based payments.— Share-based payment transactions with certain net settlement features are classified as equity-settled if they would have been classified as equity settled without the net settlement feature. This applies to certain arrangements where an employer is required to withhold an amount for an employee's tax obligation related to a share-based payment, and pays the tax authority in cash.— Accounting for a modification that changes the classification of a share-based payment agreement from cash-settled to equity-settled has been clarified with regard to the measurement of, and accounting for, the replacement equity-settled share-based payment, derecognition of the liability, and accounting for any difference between the carrying amount of the liability and the amount recognised for the equity-settled award (these amounts will reflect the extent to which goods and services have been received at the date of modification).

Stink Holdings Ltd.

Notes to the consolidated financial statements

1 Cash and cash equivalents

In '000 GBP

	31 December	
	2017	2016
Cash on hand	140	60
Cash in bank	5,712	9,893
Cash and cash equivalents	5,852	9,953

Cash on deposit earns interest at floating rates based on the daily bank deposit rates. The weighted average interest rate on short-term bank deposits for 2017 was 0% per annum.

2 Receivables

In '000 GBP

	31 December	
	2017	2016
Trade receivables	11,207	10,723
Less: Impairment losses	(62)	(11)
Net trade receivables	11,145	10,712
Receivables from shareholders	-	-
Tax receivables	72	452
Other receivables	1,395	1,441
Receivables – net	12,612	12,605

Trade receivables after the due date and not impaired

	31 December	
	2017	2016
0-90 days	5,490	4,964
90-180 days	481	480
180-360 days	53	255
over 360 days	-	19
Total	6,024	5,718

As of 31 December 2017, trade receivables after the due date and not impaired were in the total amount of GBP 6,024 thousand. These amounts relate to a number of independent customers for whom there is no recent history of default.

The average credit period provided to customers is 30 days (2016: 30 days). The provision for bad and doubtful debts is estimated by management based on the aging profile of receivables and prior collection experience.

Tax receivables comprise reclaimable VAT.

Other receivables represent overpayments, various personal and other short term loans

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)**3 Inventories**

In '000 GBP

	31 December	
	2017	2016
Materials	-	-
Work in Progress	320	1,004
Less: provision	(70)	-
Net inventories	250	1,004

The balance of inventories comprises mainly costs incurred for productions in progress as at the year-end which have not yet been invoiced.

4 Prepayments and other current assets

In '000 GBP

	31 December	
	2017	2016
Prepaid expenses	685	2,968
Other current assets	3,666	2,254
Prepayments and other current assets	4,351	5,220

Prepaid expenses consist primarily of advances given to suppliers in preparation for film shoots due to take place in 2018. Other current assets relate primarily to accrued income for revenues earned at the year-end that have not yet been invoiced.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

5 Property, plant and equipment

In '000 GBP	Leasehold Improvements	Fixtures and Furniture	Machinery and Equipment	Total
Cost				
1 January 2016	364	479	431	1,274
Additions	3	77	59	139
Disposals	-	(3)	(16)	(19)
Foreign exchange differences	23	91	52	166
31 December 2016	390	644	526	1,560
Additions	145	172	181	498
Disposals	-	(79)	(48)	(127)
Foreign exchange differences	(16)	(38)	(9)	(63)
31 December 2017	519	699	650	1,868
Accumulated depreciation				
1 January 2016	(99)	(214)	(265)	(598)
Charge	(86)	(107)	(73)	(265)
Disposals	-	-	13	13
Foreign exchange differences	(6)	(44)	(34)	(84)
31 December 2016	(190)	(365)	(379)	(934)
Charge	(102)	(138)	(78)	(318)
Disposals	-	52	30	82
Foreign exchange differences	6	25	7	38
31 December 2017	(287)	(426)	(420)	(1,132)
Net book value 1 January 2016	265	265	146	676
Net book value 31 December 2016	200	279	147	626
Net book value 31 December 2017	233	273	230	736

There are no tangible fixed assets owned by the Group that are subject to pledges, liens or other restrictions. No interest has been capitalized into the value of fixed assets in either 2017 or 2016. The Group does not own any assets acquired under finance leases.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

5 Property, plant and equipment (continued)

In '000 GBP

	Software	Scripts	Total
Cost			
1 January 2016	16	179	197
Additions	(6)	-	(6)
Disposals	-	-	-
Impairment	-	-	-
Foreign exchange differences	3	-	3
31 December 2016	15	179	194
Additions	3	8	11
Disposals	(4)	-	(4)
Impairment	-	-	-
Foreign exchange differences	-	-	-
31 December 2017	14	187	201
Accumulated depreciation			
1 January 2016	(15)	-	(15)
Charge	2	-	2
Disposals	-	-	-
Foreign exchange differences	(2)	-	(2)
31 December 2016	(15)	-	(15)
Charge	(1)	-	(1)
Disposals	4	-	4
Foreign exchange differences	1	-	1
31 December 2017	(11)	-	(11)
Net book value 1 January 2016	3	179	182
Net book value 31 December 2016	0	179	179
Net book value 31 December 2017	3	187	190

There are no intangible fixed assets owned by the Group that are subject to pledges, liens or other restrictions.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

6 Investments in subsidiaries

The consolidated financial statements include the financial statements of the subsidiaries listed in the following table:

Name	City/country of incorporation	Percentage ownership 2017	Percentage ownership 2016
Stink Ltd.	London, U.K.	64.17%	64.17%
Stink GmbH	Berlin, Germany	64.17%	64.17%
Stink S.A.S.	Paris, France	64.17%*	38.5%*
Stink LLC.	Los Angeles, U.S.A.	64.17%	64.17%
Stink Holding Inc.	Delaware, U.S.A.	64.17%	64.17%
Stink Digital USA LLC.	New York, U.S.A.	51.34%	51.34%
Stink (Shanghai) Co., Ltd.	Shanghai, China	64.17%	64.17%
Stink Hong Kong, Ltd.	Hong Kong	64.17%	64.17%
OOO Stink	Moscow, Russia	64.17%	64.17%
Stink Digital Ltd.	London, U.K.	51.34%	51.34%
Stink SP Producao de Filmes LTDA.**	Sao Paulo, Brazil	35.94%	35.94%
Stink CZ, s.r.o.	Prague, Czech Republic	64.17%	64.17%
Front Productions LLC	New York U.S.A.	51.34%	51.34%

* As of 1st January 2017, the acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%.

** The Group's ownership in Stink SP Producao de Filmes LTDA is held through Stink Ltd., which the legal ownership of Stink SP Producao de Filmes LTDA is 49% with the future right to acquire a further 7% through options exercisable on demand.

Increase in Group's share in Stink S.A.S., France

In January 2017 Stink Ltd. made an agreement to purchase a non-controlling interest in Stink S.A.S., France for a consideration of EUR 820 thousand. The acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%. The purchase was settled in cash from Stink S.A.S. reserves immediately after the transaction was completed.

Acquisition of additional stake in Stink Ltd., UK

On 19th September 2016 Stink Ltd. made an agreement to purchase 922 A-voting shares from Robert Herman, a minority shareholder of Stink Ltd., for a consideration of GBP 800 thousand, thereof the part in the amount of GBP 240 thousand was related to the existing minority shareholder and was repaid through the dividend payments. The acquisition of the shares increased the Group's interest in Stink Ltd. from 70% to 77.78%. The purchase price including the share of the existing minority shareholder in the amount of GBP 240 thousand is being settled by Stink Ltd. in cash in five instalments (GBP 300 thousand, GBP 200 thousand, GBP 100 thousand, GBP 100 thousand and GBP 100 thousand) in five consecutive years with the first instalment paid in October 2016. The acquisition of the shares generated goodwill in the Group's accounts. The goodwill was immediately written off into the Group's retained earnings. The net reduction to the Group's retained earnings amounted to GBP 86 thousand. (note 14)

Issue of growth shares to James Morris and Blake Powell

In March 2016 the Stink Ltd. board approved the issue of 1,005 growth shares to James Morris, Global CEO of Stink Ltd., and 754 growth shares to Blake Powell, Global Head of Talent of Stink Ltd. for the nominal value of 1,005 GBP and 754 GBP respectively. The 1,005 and 754 growth shares represent 10% and 7.5% equity shareholdings in Stink Ltd. respectively in the Stink Ltd. consolidated reserves starting from 1.1.2016 (the growth shares do not have the right to the consolidated profits accumulated by Stink Ltd. up to 31.12.2015 though) and therefore diluted the Group's shareholding in the 2016 and future years consolidated profits of Stink Ltd. from 77.77% down to 64.17%. The Group's share of consolidated profits accumulated by Stink Ltd. before 1.1.2016 is not affected by the issue of the growth shares and stays unaltered at 77.77% following share purchase from Robert Herman. As the issue of growth shares does not dilute the Group's share of the accumulated profits of Stink Ltd. before 1.1.2016, no goodwill or badwill was generated in the Group's accounts as a result of the share issue.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

7 Investments in subsidiaries (continued)

Increase in Group's interest in Stink SP Producao de Filmes LTDA, Brazil

In December 2016 Stink Ltd. made an agreement to acquire an additional 5% equity options from the minority shareholders of Stink SP Producao de Filmes LTDA, for a consideration of BRL 1,9 million. Following the transaction, Stink Ltd has the legal ownership of 49% in Stink SP Producao de Filmes LTDA, with a right to receive 56% of the profit distribution. The purchase price was settled in cash from the Stink SP Producao de Filmes LTDA reserves in two instalments of BRL 1,1 million settled in December 2016 and BRL 800 thousand settled in February 2017. The goodwill was immediately written off into the Group's retained earnings. The net reduction to the Group's retained earnings amounted to GBP 139 thousand (gross effect of GBP 215 thousand subsequently reduced by GBP 76 thousand being the portion of the write-off attributable to non-controlling interest holders). (note 14)

8 Trade payables

In '000 GBP

	31 December	
	2017	2016
Trade accounts payable	5,291	5,987
Payables to employees	560	587
Taxes payable	1,386	2,445
Other payables	550	612
Trade and other payables	7,787	9,631

The average payment period for trade payables is 60 days. The balance of taxes payable consists mainly of VAT payable.

9 Accruals, provisions and other current liabilities

In '000 GBP

	31 December	
	2017	2016
Accruals	5,041	8,612
Customer advances	-	-
Other current liabilities	1,429	311
Provision for tax contingencies	336	155
Accruals, provisions and other current liabilities	6,806	9,078

Accruals comprise primarily committed costs for spots and films shot in 2017 and customer advances comprise advances received in respect of the films being shot at the year-end. Other current liabilities comprise revenues invoiced in 2017 for 2018 jobs.

10 Bank loans

The Group has a credit line for a working capital loan with Commerzbank to finance the working capital needs of Stink GmbH (Berlin). The loan bears variable interest which is set on a monthly basis at monthly PRIBOR + 2.5%. The limit of the Berlin loan (overdraft) is EUR 150 thousand. The loan does not have any repayment terms specified and can be revolved on an annual basis subject to the agreement of the bank and the Group.

The credit line was not used at the end of 2017.

The loan is secured by the conditional cession of third party receivables, subject to default.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

11 Deferred tax (liability)/asset

In '000 GBP

	31 December	
	2017	2016
Tax losses not yet utilized	207	1
Other temporary differences	58	(172)
Deferred tax (liability)/ asset – net	265	(171)

Details of the deferred tax assets are as follows:

In '000 GBP	Deferred tax base	Deferred tax asset	Deferred tax liability	Net deferred tax
Deferred tax items as at 1 January 2016				
Tax losses not yet utilized	-	-	-	-
Other temporary differences	(693)	81	(302)	(221)
Deferred tax as at 1 January 2016	(693)	81	(302)	(221)
Movements during 2016				
Tax losses utilized in the reporting period	2	1	-	1
Change in other temporary differences	237	28	57	85
FX adjustment	(97)	8	(44)	(38)
Deferred tax items as at 31 December 2016				
Tax losses not yet utilized	3	1	-	1
Other temporary differences	(554)	117	(289)	(172)
Deferred tax as at 31 December 2016	(551)	118	(289)	(171)
Movements during 2017				
Tax losses utilized in the reporting period	1,214	206	-	206
Change in other temporary differences	774	39	204	243
FX adjustment	(50)	(9)	(4)	(13)
Deferred tax items as at 31 December 2017				
Tax losses not yet utilized	1,217	207	-	207
Other temporary differences	170	147	(89)	58
Deferred tax as at 31 December 2017	1,387	354	(89)	265
Net deferred tax as at 31 December 2017				265

In 2017 the Group has not recorded a deferred tax asset in the amount of GBP 11 thousand (in 2016 GBP 22 thousand) for unused tax losses of GBP 122 thousand (in 2016 GBP 144 thousand) due to uncertainty regarding the entities' ability to generate future taxable profits against which to utilise the deferred tax asset.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

12 Non-controlling interest

As at the year end the Group had a 64.17% shareholding in Stink Limited, UK, an effective 64.17% shareholding in Stink (Shanghai) Co, Ltd., Shanghai (being a 100% subsidiary of Stink Ltd.), Stink Hong Kong, Ltd., Hong Kong (being a 100% subsidiary of Stink Ltd.), Stink GmbH, Germany (being a 100% subsidiary of Stink Ltd.), Stink S.A.S., Paris (being a 100% subsidiary of Stink Ltd.), Delaware Holding Inc., U.S.A. (being a 100% subsidiary of Stink Ltd.), Stink CZ, s.r.o. (being a 100% subsidiary of Stink Ltd.), Stink LLC, U.S.A. (being a 100% subsidiary of Delaware Holding Inc.), OOO Stink, Russia (being a 99.99% subsidiary of Stink Ltd.), an effective 51.34% shareholding in Stink Digital, Ltd., London (being a 80% subsidiary of Stink Ltd.) and Stink Digital USA LLC, New York (being a 100% subsidiary of Stink Digital Ltd., London), Front Productions LLC, New York (being a 100% subsidiary of Stink Digital USA LLC, New York) and an effective 35.94% interest in Stink SP Producao de Filmes LTDA., Brazil (Stink Ltd legal ownership of Stink SP Producao de Filmes LTDA is 49% with the future right to acquire a further 7% through options exercisable on demand).

All of these entities are fully consolidated. Details of the non-controlling interest in these entities are as follows (entities with non-controlling interest are grouped into categories according to group shareholding/non-controlling interest):

In '000 GBP	1	2	3	4	Non cont - rolling interest
Non-controlling shareholdings	61.5%	48.66%	64.06%	35.83%	
At 1 January 2016					
Share capital	31	-	3	195	14
Share premium	-	-	-	30	-
Retained earnings	1,075	995	750	4,111	2,777
Foreign exchange adjustment	(224)	(7)	(271)	(95)	(336)
Equity / non-controlling interest	882	988	482	4,241	2,455
Movements in 2016					
Share capital	-	-	-	199	-
Result for the year	508	1,418	357	998	1,656
Dividends paid/received	-	(321)	-	260	(382)
Purchase of RH shares	-	-	-	(800)	(706)
Purchase of Delicatessen shares	-	-	(474)	-	(24)
Foreign exchange adjustment	170	177	287	629	648
	678	1,274	170	1,286	1,182
At 31 December 2016					
Share capital	31	-	3	394	13
Share premium	-	-	-	30	-
Retained earnings	1,583	2,092	634	4,571	3,331
Foreign exchange adjustment	(54)	170	15	532	303
Equity / Non-controlling interest	1,580	2,262	652	5,527	3,647

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

12 Non-controlling interest (continued)

In '000 GBP	1	2	3	4	Non cont - rolling Interest
Non-controlling shareholdings	61.5%* 35.83%*	48.66%	64.06%	35.83%	
At 31 December 2016					
Share capital	31	-	3	394	13
Share premium	-	-	-	30	-
Retained earnings	1,583	2,092	634	4,571	3,331
Foreign exchange adjustment	(54)	170	15	532	303
Equity / non-controlling interest	1,560	2,262	652	5,527	3,647
Movements in 2017					
Share capital	-	-	-	3	-
Result for the year	88	(280)	161	1,413	505
Dividends paid/received	(701)	-	-	421	(281)
Purchase of Doko shares	-	-	-	(384)	(396)
Foreign exchange adjustment	28	(95)	(82)	(206)	(162)
	(565)	(375)	79	1,247	(334)
At 31 December 2017					
Share capital	31	-	3	397	13
Share premium	-	-	-	30	-
Retained earnings	969	1,811	795	6,022	3,133
Foreign exchange adjustment	(25)	78	(67)	325	167
Equity / Non-controlling interest	975	1,887	731	6,774	3,313

Where:

- 1 Stink S.A.S. (France)
- 2 Stink Digital NY, Ltd. (U.S.A.), Stink Digital Ltd. (U.K.), Front Productions LLC (U.S.A)
- 3 Stink SP Producao de Filmes LTDA. (Brazil)
- 4 Stink Ltd (U.K.), Stink GmbH (Germany), Stink LLC (U.S.A.), Stink Holding Inc. (U.S.A.), Stink (Shanghai) Co., Ltd. (China), Sink Hong Kong, Ltd. (Hong Kong), OOO Stink (Russia), Stink CZ, s.r.o. (Czech Republic)

* The acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%. The effective non-controlling interest being 40% until 31st December 2016 and 0% after 1st January 2017.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

13 Share capital

In '000 GBP	2017		2016	
Paid up share capital – Stink Holdings Ltd.		12		10
	Number shares 2017	Total GBP 2017	Number shares 2016	Total GBP 2016
Stink Holdings Ltd.				
Total issued shares - voting	9,626	9,626	9,626	9,626
Total issued shares – non-voting	374	374	374	374
Total authorized shares - voting	15,000	15,000	15,000	15,000
Total authorized shares – non-voting	5,000	5,000	5,000	5,000

14 Reserves

In '000 GBP	Retained earnings	Cumulative translation adjustment
At 1 January 2016	4,135	(266)
2016 net income attributable to the Group	1,609	-
Goodwill written off on additional controlling interest acquisition	(301)	-
Non-controlling interest holders share of goodwill written off	76	-
Currency translation adjustment	-	623
At 31 December 2016	5,519	355
2017 net income attributable to the Group	868	-
Goodwill written off on additional controlling interest acquisition	(69)	-
Non-controlling interest holders share of goodwill written off	89	-
Currency translation adjustment	-	(182)
At 31 December 2017	6,407	163

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

15 Goodwill

In '000 GBP

	31 December			
	2017	Stink SP Producao de Filmes LTDA, Brazil**	2016	
	Stink S.A.S., France *		Stink Ltd., UK ***	Total
Purchase price	375	239	560	799
Fair value of net assets acquired	(306)	(24)	(474)	(498)
Goodwill	69	215	86	301
Goodwill written off to reserves	(69)	(215)	(86)	(301)
Net book value of goodwill at the end of the period	0	0	0	0

*Increase in Group's share in Stink S.A.S., France

In January 2017 Stink Ltd. made an agreement to purchase a non-controlling interest in Stink S.A.S., France for a consideration of EUR 820 thousand. The acquisition of the shares increased the Stink Ltd. interest in Stink S.A.S. from 60% to 100%. The acquisition of the shares generated goodwill in the Group's accounts. The goodwill was immediately written off to the Group's retained earnings. The net effect was the increase of the Group's retained earnings amounted to GBP 20 thousand.

** Increase in Group's interest in Stink SP Producao de Filmes LTDA, Brazil

In December 2016 Stink Ltd. made an agreement to acquire an additional 5% equity options from the minority shareholders of Stink SP Producao de Filmes LTDA, for a consideration of BRL 1.9 million. Following the transaction, Stink Ltd has the legal ownership of 49% in Stink SP Producao de Filmes LTDA, with a right to receive 56% of the profit distribution. The purchase price was settled in cash from the Stink SP Producao de Filmes LTDA reserves in two instalments of BRL 1.1 million settled in December 2016 and BRL 800 thousand settled in February 2017. The acquisition of the shares generated goodwill in the Group's accounts. The goodwill was immediately written off to the Group's retained earnings. The net reduction to the Group's retained earnings amounted to GBP 139 thousand (gross effect of GBP 215 thousand subsequently reduced by GBP 76 thousand being the portion of the write-off attributable to non-controlling interest holders).

*** Acquisition of additional stake in Stink Ltd., UK

On 19th September 2016 Stink Ltd. made an agreement to purchase 922 A-voting shares from Robert Herman, a minority shareholder of Stink Ltd., for a consideration of GBP 800 thousand, thereof the part in the amount of GBP 240 thousand was related to the existing minority shareholder and was repaid through the dividend payments. The acquisition of the shares increased the Group's interest in Stink Ltd. from 70% to 77.78%, the purchase price including the share of the existing minority shareholder in the amount of GBP 240 thousand is being settled by Stink Ltd. in cash in five instalments (GBP 300 thousand, GBP 200 thousand, GBP 100 thousand, GBP 100 thousand and GBP 100 thousand) in five consecutive years with the first instalment paid in October 2016. The acquisition of the shares generated goodwill in the Group's accounts. The goodwill was immediately written off to the Group's retained earnings. The net reduction to the Group's retained earnings amounted to GBP 86 thousand.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

16 Operating profit

Operating profit consists of the following items of revenue and expenses:

In '000 GBP

	2017	2016
Revenues		
Commercial production	65,499	65,051
Digital production	21,613	16,354
Other	-	-
	87,112	81,405
Cost of services sold		
Commercial production	52,738	53,244
Digital production	17,467	9,191
Other	-	-
	70,205	62,435
Selling expenses		
Marketing	266	233
Travel	476	343
Entertainment	272	170
Festivals	219	226
Other	1,922	930
	3,155	1,902
General and administrative expenses		
Personnel expenses	7,502	9,178
Travel expenses	48	32
Consulting and legal expenses	734	945
Bad debt expenses	43	(1)
Office expenses	729	522
Rent and utilities expenses	1,656	1,199
Other expenses/(income)	112	(58)
	19,828	11,817

17 Financial result

The financial result is stated after charging the following items:

In '000 GBP

	2017	2016
Interest expenses and financial investment loss	11	16
Exchange rate losses	-	-
Other financial expenses	300	221
	311	237
Exchange rate gains	(70)	(340)
Interest income and financial investments income	(78)	(3)
Other financial revenue	-	-
	(148)	(343)

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

18 Revenues

Revenues by group company are as follows:

In '000 GBP

	2017	2016
Stink Holdings, Ltd., Jersey	-	-
Stink Ltd., London	15,812	23,014
OOO Stink, Moscow	3,797	3,053
Stink (Shanghai) Co., Ltd., Shanghai	7,540	5,779
Stink Hong Kong, Ltd., Hong Kong	627	567
Stink GmbH, Germany	8,126	5,477
Stink SP Producao de Filmes LTDA., Sao Paulo	4,942	5,522
Stink S.A.S., Paris	8,168	8,235
Stink Digital Ltd., London	7,183	4,953
Stink Digital USA LLC, New York	13,848	10,152
Stink LLC, Los Angeles	20,170	16,084
Front Productions LLC, New York	48	452
Stink CZ, s.r.o., Prague	72	293
Total revenues before inter-company elimination	90,132	83,591
Elimination of inter-company transactions	(3,020)	(2,186)
Total revenues after inter-company elimination	87,112	81,405

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

19 Income and deferred taxes

In '000 GBP

Income and deferred tax

Current income tax expense

Deferred income tax expense/ (benefit)

Income tax for the year

2017

2016

1,313

1,610

(449)

(86)

864

1,524

An analysis of the calculation of the above tax expense is as follows:

In '000 GBP

	1	2	3	4	5	6	7	8	Subtotal
Income before tax	(1,510)	625	198	161	23	97	1,497	(111)	980
Non-deductible expenses	-	50	242	368	432	198	117	-	
Deductible expenses not shown in P&L	-	(56)	-	-	(161)	-	(252)	-	
Income tax free income	-	-	-	-	-	-	-	-	
Tax loss carried forward used	-	-	-	-	-	-	-	-	
Taxable income	-	619	440	529	294	295	1,362	-	
Tax rate	20%	20%	43%	30%	32%	10%	25%	10%	
Current year tax expense	-	124	189	160	95	29	340	-	
Adjustment to current year tax	9	(5)	-	1	(2)	-	1	-	
	9	119	189	161	93	29	341	-	941
Effect of temporary differences	(208)	(5)	(69)	(77)	(123)	(20)	95	-	(407)
Tax expense	(199)	114	120	84	(30)	9	436	-	534

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

19 Income and deferred taxes (continued)

	9	10	11	12	13	14	Total
Income before tax	214	1,036	17	-	(11)	-	2,236
Non-deductible expenses	228	-	(15)	-	-	-	
Deductible expenses not shown in P&L	(113)	(330)	-	-	-	-	
Income tax free income	(27)	-	-	-	-	-	
Tax loss carried forward used	-	-	(2)	-	-	-	
Taxable income	302	706	-	-	-	-	
Tax rate	32%	41%	43%	19%	0%	-	
Current year tax expense	96	290	-	-	-	-	
Adjustment to current year tax	-	(14)	-	-	-	-	
	96	276	-	-	-	-	1,313
Effect of temporary differences	(43)	-	1	-	-	-	(449)
Tax expense	53	276	1	-	-	-	664

Where:

1	Stink Limited – United Kingdom	8	Stink Hong Kong, Ltd. – Hong Kong
2	Stink Digital, Ltd. – United Kingdom	9	Stink SP Producao de Filmes LTDA. - Brazil
3	Stink Digital USA LLC – U.S.A.	10	Stink LLC – U.S.A.
4	Stink GmbH – Germany	11	Front Productions LLC – U.S.A.
5	Stink S.A.S. – France	12	Stink CZ, s.r.o. – Czech Republic
6	OOO Stink - Russia	13	Stink Holdings, Ltd. - Jersey
7	Stink (Shanghai) Co., Ltd. – China	14	Effect of consolidation adjustments

Stink Holding Inc. (Delaware, U.S.A.) is not shown in the analysis of tax expenses on the previous page due to its nil effect on the consolidated accounts and consolidated tax expense of the Group.

20 Dividends

No dividend was either declared or paid in 2017. No dividend remained unpaid as of 31st December 2017.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)**21 Financial commitments***Capital commitments*

The Group had no authorized or contracted capital expenditure commitments as at 31st December 2017.

Lease commitments

The Group does not have any finance lease obligations.

22 Employees and employee benefits

The final number of employees of the Group at the end of the year was as follows:

	31 December	
	2017	2016
Management	19	16
Other staff	175	153
	<u>194</u>	<u>169</u>

Employee share scheme

No formal option plan has been put in place as of the date of this report.

Pensions

The Group is only obliged to contribute to government health, pension and unemployment schemes during the term of employment. The Group has no obligation to contribute to these schemes beyond the statutory rates in force. The contributions to these schemes are made on a pay-as-you-go basis and are recorded in the profit and loss as a period expense. As a result, the Group is not exposed to any post-retirement obligations in respect of its employees and consequently, no pension liability accrual has been recognized in the accounts.

23 Financial risk management

The main financial risks the Group faces are foreign exchange rate volatility and credit risk.

The Group is exposed to foreign exchange rate volatility as the income of contracts may be denominated in one currency whilst the costs of the same contract in another currency. The Group mitigates such risks by contracting in the local currency of each operation as far as possible.

Credit risk is reduced by the fact that the Group receives large advance payments from customers and has also implemented a system of rigorous credit control.

24 Derivatives

The Group does purchase currency derivatives for hedging purposes however any impact of those on the Group accounts in 2017 was insignificant.

25 Guarantees

As of 31 December 2017 the Group only had guarantees in place related to the receivables pledged for the working capital loan, as stated in Note 10.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

26 Related party transactions

The summary of transactions with related parties during the reporting and previous period is as follows:

In '000 GBP	2017	2016
STATEMENT OF COMPREHENSIVE INCOME		
Revenues	-	214
Expenses other than Board of directors' and Supervisory board members' remuneration	(3,008)	(4,918)
TOTAL	(3,008)	(4,704)
STATEMENT OF FINANCIAL POSITION		
Accounts receivable	500	368
Accounts payable other than Board of directors' and Supervisory board members' remuneration outstanding	(818)	(1,589)

The detail of transactions with related parties during the reporting and previous period is as follows:

In '000 GBP	Type of transaction /balance	2017	2016
STATEMENT OF COMPREHENSIVE INCOME			
INCOME STATEMENT			
<i>Revenues</i>			
Delicatessen SP – associated company of minority shareholders of Stink SP*	Sales	-	177
Doko S.A.S. – minority shareholder of Stink S.A.S.	Recharges	-	1
2020 UK Branch. – company controlled by major shareholder of Stink Ltd.	Recharges	-	36
		-	214
<i>Expenses other than Board of directors' and Supervisory board members' remuneration</i>			
Jeff Baron – director of Stink LLC	Remuneration	472	391
Martina Lölendorf - director of Stink GmbH	Remuneration	90	92
Doko S.A.S. – minority shareholder of Stink S.A.S. *	Production services	-	19
	Remuneration	-	327
	Expenses reimbursement	-	44
Mark Pytlík – Director of Stink Digital NY, Ltd. and minority shareholder of Stink Digital UK, Ltd.	Remuneration	124	449
	Expenses reimbursement	5	6
Olga Kulkova - director of Stink Moscow	Remuneration	76	105
Mercurial Marketing LLP. – associated company of D. Bergmann	Production services	382	512

* Delicatessen SP and Doko S.A.S.

In December 2016 Stink Ltd. made an agreement to acquire additional 5% equity options from the minority shareholders of Stink SP Producao de Filmes LTDA. Since 1st January 2017, the company Delicatessen SP is no longer considered as a related party in 2017. In January 2017 Stink S.A.S. acquired its own shares from Doko S.A.S. Since 1st January 2017, the company Doko S.A.Ss is no longer considered as a related party.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

26 Related party transactions (continued)

In '000 GBP	Type of transaction /balance	2017	2016
Delicateasen SP – associated company of minority shareholder of Stink SP*	Reimbursement of production and operating costs	-	228
	Settlement	-	308
	Production services	-	63
Ingrid Raszi - director of Stink SP	Expenses reimbursement	2	2
Rosebud Films LTDS – associated company of Jones & Tino	Production services	74	71
Martin Drozd – director of Stinking Films PTY, Ltd.	Consulting services	20	9
Grégory PANTEIX – director Stink S.A.S. (France)	Remuneration	322	-
Filmakers Collective LLC - associated company of Jones & Tino	Remuneration	-	21
Jones Bottura Producoes LTDA – associated company of Jones & Tino	Remuneration	-	48
	Production services	-	145
Acordeon - associated company of Ingrid Raszi	Production services	115	84
Rosebud Films LTDS – associated company of Jones & Tino	Remuneration	-	73
2020 Group, Ltd. - ultimate shareholder of Stink Ltd.	Recharges	160	264
2020 UK Branch. – company controlled by 2020 Group Ltd.	Recharges	-	100
Motel Production S.L. - company controlled by 2020 Group Ltd.	Production services	348	1,147
Stinking Films s.r.o.- company controlled by 2020 Group Ltd.	Recharges	15	32
Stinking Films PTY - company controlled by 2020 Group Ltd.	Production services	368	382
	Recharges	455	-
		3,028	4,918

In '000 GBP	Type of transaction /balance	2017	2016
STATEMENT OF FINANCIAL POSITION			
Accounts receivable			
Doko S.A.S. – minority shareholder of Stink S.A.S.	Recharges receivable	-	1
D. Bergmann - director of Stink Ltd.	Loan account	76	31
Jeff Baron – director of Stink LLC	Loan account	1	-
Jones & Tino – minority shareholders of Stink SP	Loan account	102	-
Love Savage – associated company of Pavla Burgetova	Loan account	222	-
Mark Pytlík – Director of Stink Digital NY, Ltd. and minority shareholder of Stink Digital UK, Ltd.	Loan account	-	13
Stinking Films BV - company controlled by 2020 Group Ltd.	Recharges receivable	-	11
2020 Group, Ltd. –ultimate shareholder of Stink Ltd.	Loan account	-	121
	Production services	77	-
2020 UK Branch. – company controlled by 2020 Group Ltd.	Recharges receivable	-	177
Stinking Films s.r.o.- company controlled by 2020 Group Ltd.	Recharges receivable	22	14
		500	388

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)

27 Related party transactions (continued)

In '000 GBP	Type of transaction / balance	2017	2016
<i>Accounts payable other than Board of directors' and Supervisory board members' remuneration</i>			
J. Morris - director of Stink Ltd	Accrued remuneration	50	-
Jeff Baron - director of Stink LLP	Accrued remuneration	117	-
Mark Pytlík - Director of Stink Digital NY, Ltd. and minority shareholder of Stink Digital UK, Ltd.	Accrued remuneration	11	330
Martina Lülendorf - director of Stink GmbH	Accrued remuneration	12	-
Doko S.A.S. - minority shareholder of Stink S.A.S.	Remuneration payable	-	98
Grégory PANTEIX - director Stink S.A.S. (France)	Remuneration payable	3	-
Mercurial Marketing LLP - associated company of D. Bergmann	Recharges payable	205	349
2020 Group Ltd. - ultimate shareholder of Stink Ltd.	Recharges payable	370	472
Stillking Films BV - company controlled 2020 Group Ltd.	Recharges payable	-	64
	Production services payable	-	4
Stillking Films s.r.o. - company controlled 2020 Group Ltd.	Production services payable	1	27
	Recharges payable	10	7
Stillking Films PTY - company controlled 2020 Group Ltd.	Production services payable	-	175
	Recharges payable	10	-
2020 UK Branch. - company controlled by 2020 Group Ltd.	Recharges payable	16	-
Olga Kulikova - director of Stink Moscow	Remuneration payable	12	62
	Loan payable	1	1
		818	1,589

Marketing commission, Remuneration and Production services

Marketing commission, Remuneration and Production services are paid according to an agreement at normal market prices.

Reimbursement of expenses

Reimbursements are made in the normal course of business at market prices. Reimbursements result mainly from marketing and travel as well as from expenses incurred in respect of board meetings. Reimbursements are made at market prices.

Board of directors' remuneration

The remuneration provided to the members of the Board of directors:

In '000 GBP	Type of transaction	2017	2016
<i>Board of directors' remuneration expenses</i>			
D. Bergmann - director of Stink Ltd.	Remuneration	145	110
J. Morris - director of Stink Ltd	Remuneration	350	200

Supervisory board members' remuneration

The parent company does not have any Supervisory board in place.

Stink Holdings Ltd.

Notes to the consolidated financial statements (continued)**26 Subsequent events**

On 28th February 2018 the Group acquired an 50,1% share in Prague based production company Savage.tv, s.r.o. for a consideration of USD 325 thousand payable in two instalments of USD 162,5 thousand each in April and July 2018. The transaction generated a goodwill of USD 325 thousand to be written off to the 2018 Group profit and loss account.