

Registered number: 06080497

INSKIN MEDIA LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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INSKIN MEDIA LIMITED

COMPANY INFORMATION

Directors	H Drayton J Byam Shaw J Woodnott - Miller T Knapp T Hope (resigned 21 January 2016) A Walmsley S Doyle K McCormick (appointed 21 January 2016)
Registered number	06080497
Registered office	7th Floor Dashwood House 69 Old Broad Street London EC2M 1QS
Trading Address	233 High Holborn London WC1V 7DN
Independent auditors	Price Bailey LLP Chartered Accountants & Statutory Auditors Dashwood House 69 Old Broad Street London EC2M 1QS
Country of Incorporation	United Kingdom

INSKIN MEDIA LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 6
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Company Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11 - 12
Company Statement of Changes in Equity	13 - 14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16 - 34

INSKIN MEDIA LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

Inskin Media is an advertising technology business, which develops and trades high-impact, non-intrusive brand advertising formats. We specialise in multi-screen, rich-media display advertising, partner with over 190 publishers and deliver campaigns to more than 1,000 premium websites, globally.

Inskin has delivered successful campaigns for over 1,000 blue-chip brand clients. Since its launch in the UK in 2009, Inskin has grown from start-up into an international business, employing 110 staff across its London, Hamburg, Sydney, Singapore, Hong Kong and Dubai offices. The company's expansion across Europe, APAC and MENA has been recognised by multiple high-growth awards. Inskin was named as a National Champion in the European Business Awards 2016/17, and has featured in The Sunday Times Tech Track 100, Media Momentum Awards, and the Deloitte Technology Fast 500. Inskin's commercial success is built on our focus on technology, creativity, and the highest quality in display advertising.

Business review

The financial year ended 31 December 2016 proved challenging. Global turnover increased by 4%, from £20.2m to £21.1m. However, this headline does not tell the story of the underlying trends. The year was particularly challenging in our home UK market, as we undertook the transition to a new, Programmatic marketplace. This was offset by growth overseas. In particular the Australian, Singapore and German offices enjoyed stellar revenue growth. It is especially pleasing to register such significant overseas success as it clearly demonstrates the Inskin operation is both transferable and scalable.

Profitability has reduced because of the significant overseas investment in the new Programmatic offering, and to accelerate the revenue growth, particularly in the overseas markets.

The global average campaign value increased year on year as there are fewer test campaigns as the overseas offices become established in their market. In addition average individual campaign profitability increased as technology developments allow us to ensure that high on all delivered impressions are chargeable.

Principal risks and uncertainties

The principal risks for the Group are: increasing competition; the complexity of the Programmatic market; losing key staff; and losing major clients or suppliers.

Competition is a risk in any industry and one we take particularly seriously, as the market is crowded. We seek to differentiate ourselves by the truly premium nature of our network, the responsiveness and quality of our award-winning client service, the creative flexibility of designing all creative builds in HTML5, and delivering first rate campaign metrics, in terms of viewability and performance.

The programmatic market is confused, with many different players. We seek to create a true niche, to become one of few who deliver rich media in an automated manner. The early signs are very positive. We are generating significant revenue streams within only a few months of going live.

All senior staff are incentivised, through share options or regular remuneration incentive schemes, to drive maximum value for the business.

To mitigate the risk of losing major clients, we engage with them and agree mutually beneficial trading deal relationships (preferred supplier list). These help cement the partnerships. This was once the preserve of the UK market, but we now have Trading Deals in Germany, Hong Kong, Singapore and MENA. As regards managing the risk of losing any major suppliers (our Publisher partners), we maintain the relationships through delivering high yield revenue, an easy technical integration and a very high quality of service.

INSKIN MEDIA LIMITED

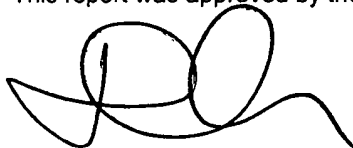
**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Financial key performance indicators

A number of Key Performance Indicators are measured and reviewed every month, to provide clear measurement and management tools. These include:

- Average campaign value
- Average CPM (cost per '000 impressions)
- Average campaign profitability
- Gross margin analysis

This report was approved by the board and signed on its behalf.



J Woodnott - Miller
Director

Date: 12-09-17

INSKIN MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company during the year was software publishing and advertising.

Results and dividends

The loss for the year, after taxation, amounted to £61,429 (2015 - profit £783,102).

DIRECTORS

The directors who served during the year were:

H Drayton
J Byam Shaw
J Woodnott - Miller
T Knapp
T Hope (resigned 21 January 2016)
A Walmsley
S Doyle
K McCormick (appointed 21 January 2016)

Research and development activities

The group undertakes research and development activities. Research and development activities are capitalised in the statement of financial position within intangible assets.

INSKIN MEDIA LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Price Bailey LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
J Woodhott-Miller
Director

Date: 12-09-17

INSKIN MEDIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSKIN MEDIA LIMITED

We have audited the financial statements of Inskin Media Limited for the year ended 31 December 2016, set out on pages 7 to 34. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

INSKIN MEDIA LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSKIN MEDIA LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Vass (Senior Statutory Auditor)

for and on behalf of
Price Bailey LLP

Chartered Accountants
Statutory Auditors

Dashwood House
69 Old Broad Street
London
EC2M 1QS

Date: *29 September 2017*

INSKIN MEDIA LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	3	21,111,188	20,245,105
Cost of sales		(12,898,327)	(12,434,739)
Gross profit		<u>8,212,861</u>	<u>7,810,366</u>
Administrative expenses		(8,282,350)	(7,158,132)
Operating (loss)/profit	4	<u>(69,489)</u>	<u>652,234</u>
Interest receivable and similar income	8	2,319	288
Interest payable and similar expenses	9	(11)	-
(Loss)/profit before tax		<u>(67,181)</u>	<u>652,522</u>
Tax on (loss)/profit	10	5,752	130,580
(Loss)/profit for the year		<u>(61,429)</u>	<u>783,102</u>
 (Loss)/profit attributable to owners of the parent company		<u>(61,429)</u>	<u>783,102</u>

The notes on pages 16 to 34 form part of these financial statements.

INSKIN MEDIA LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
(Loss)/profit for the financial year		<u>(61,429)</u>	<u>783,102</u>
Other comprehensive income			
Movement on foreign exchange reserve		<u>295,008</u>	<u>60,402</u>
Other comprehensive income for the year		<u>295,008</u>	<u>60,402</u>
Total comprehensive income for the year		<u><u>233,579</u></u>	<u><u>843,504</u></u>
(Loss)/profit for the year attributable to:			
Owners of the parent Company		<u>(61,429)</u>	<u>783,102</u>
Total comprehensive income attributable to:			
Owners of the parent Company		<u><u>233,579</u></u>	<u><u>843,504</u></u>

INSKIN MEDIA LIMITED
REGISTERED NUMBER: 06080497

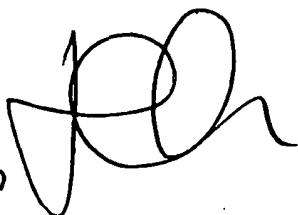
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	822,190	-
Tangible assets	12	208,885	246,446
		<u>1,031,075</u>	<u>246,446</u>
Current assets			
Debtors: amounts falling due within one year	14	7,051,878	6,882,280
Cash at bank and in hand	15	954,655	1,527,135
		<u>8,006,533</u>	<u>8,409,415</u>
Creditors: amounts falling due within one year	16	(7,218,730)	(6,512,527)
Net current assets		<u>787,803</u>	<u>1,896,888</u>
Total assets less current liabilities		<u>1,818,878</u>	<u>2,143,334</u>
Net assets		<u>1,818,878</u>	<u>2,143,334</u>
Capital and reserves			
Called up share capital	19	45,233	44,433
Share premium account	20	4,181,445	4,150,264
Foreign exchange reserve	20	(294,931)	77
Other reserves	20	2,041	2,041
Profit and loss account	20	(2,114,910)	(2,053,481)
		<u>1,818,878</u>	<u>2,143,334</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Woodnott - Miller
Director

Date: 12.09.17



INSKIN MEDIA LIMITED
REGISTERED NUMBER: 06080497

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	822,190	-
Tangible assets	12	177,616	240,333
Investments	13	173,478	20,277
		<u>1,173,284</u>	<u>260,610</u>
Current assets			
Debtors: amounts falling due within one year	14	6,928,508	7,736,055
Cash at bank and in hand	15	360,370	1,439,125
		<u>7,288,878</u>	<u>9,175,180</u>
Creditors: amounts falling due within one year	16	(6,239,733)	(6,312,460)
Net current assets		<u>1,049,145</u>	<u>2,862,720</u>
Total assets less current liabilities		<u>2,222,429</u>	<u>3,123,330</u>
Net assets		<u>2,222,429</u>	<u>3,123,330</u>
Capital and reserves			
Called up share capital	19	45,233	44,433
Share premium account	20	4,181,445	4,150,264
Other reserves	20	2,041	2,041
Profit and loss account brought forward		(1,073,408)	(2,166,209)
(Loss)/ Profit for the year		<u>(932,882)</u>	<u>1,092,801</u>
Profit and loss account carried forward		<u>(2,006,290)</u>	<u>(1,073,408)</u>
		<u>2,222,429</u>	<u>3,123,330</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Woodnott - Miller
 Director

Date:

12-08-17

INSKIN MEDIA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2016	44,433	4,150,264	77	2,041	(2,053,481)	2,143,334
Comprehensive Income for the year	-	-	-	-	(61,429)	(61,429)
Loss for the year	-	-	-	-	(61,429)	(61,429)
Foreign exchange reserve	-	-	(295,008)	-	-	(295,008)
Other comprehensive income for the year	-	-	(295,008)	-	-	(295,008)
Total comprehensive income for the year	-	-	(295,008)	-	(61,429)	(356,437)
Shares issued during the year	800	31,181	-	-	-	31,981
Total transactions with owners	800	31,181	-	-	-	31,981
At 31 December 2016	45,233	4,181,445	(294,931)	2,041	(2,114,910)	1,818,878

INSKIN MEDIA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2015	44,398	4,150,264	(60,325)	2,041	(2,836,583)	1,299,795
Comprehensive income for the year						
Profit for the year	-	-	-	-	783,102	783,102
Foreign exchange reserve	-	-	60,402	-	-	60,402
Other comprehensive income for the year	-	-	60,402	-	-	60,402
Total comprehensive income for the year	-	-	60,402	-	783,102	843,504
Shares issued during the year	35	-	-	-	-	35
Total transactions with owners	35	-	-	-	-	35
At 31 December 2015	44,433	4,150,264	77	2,041	(2,053,481)	2,143,334

The notes on pages 16 to 34 form part of these financial statements.

INSKIN MEDIA LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	44,433	4,150,264	2,041	(1,073,408)	3,123,330
Comprehensive Income for the year	-	-	-	(932,882)	(932,882)
Loss for the year	-	-	-	(932,882)	(932,882)
Total comprehensive Income for the year	-	-	-	(932,882)	(932,882)
Contributions by and distributions to owners					
Shares issued during the year	800	31,181	-	-	31,981
Total transactions with owners	800	31,181	-	-	31,981
At 31 December 2016	45,233	4,181,445	2,041	(2,006,290)	2,222,429

INSKIN MEDIA LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	44,398	4,150,264	2,041	(2,166,209)	2,030,494
Comprehensive income for the year					
Profit for the year	-	-	-	1,092,801	1,092,801
Total comprehensive income for the year	-	-	-	1,092,801	1,092,801
Contributions by and distributions to owners					
Shares issued during the year	35	-	-	-	35
At 31 December 2016	44,433	4,150,264	2,041	(1,073,408)	3,123,330

The notes on pages 16 to 34 form part of these financial statements.

INSKIN MEDIA LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(61,429)	783,102
Adjustments for:		
Amortisation of intangible assets	274,064	-
Depreciation of tangible assets	96,054	60,368
Interest paid	11	-
Interest received	(2,319)	(288)
Taxation charge	(5,752)	(130,580)
(Increase) in debtors	(423,378)	(825,193)
Increase in creditors	706,203	779,924
Taxation receivable	259,532	-
Net cash generated from operating activities	<u>842,986</u>	<u>667,333</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,096,254)	-
Purchase of tangible fixed assets	(58,493)	(211,227)
Interest received	2,319	288
Net cash from investing activities	<u>(1,152,428)</u>	<u>(210,939)</u>
Cash flows from financing activities		
Issue of ordinary shares	31,981	35
Interest paid	(11)	-
Net cash used in financing activities	<u>31,970</u>	<u>35</u>
Net (decrease)/increase in cash and cash equivalents	<u>(277,472)</u>	<u>456,429</u>
Cash and cash equivalents at beginning of year	1,527,135	1,010,304
Foreign exchange gains/(losses)	(295,008)	60,402
Cash and cash equivalents at the end of year	<u>954,655</u>	<u>1,527,135</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>954,655</u>	<u>1,527,135</u>

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 General information and basis of preparation

Inskin Media Limited is a private Company limited by shares incorporated in England. The address of the registered office is 69 Old Broad Street, London EC2M 1QS and the trading address is 233 High Holborn, London, WC1V 7DN. The nature of the Company's operations and principal activities are detailed in the directors report.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Development expenditure	-	25 % straight-line method
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1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	-	25%
Office equipment	-	25%
Computer equipment	-	25%
Other fixed assets	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Income Statement.

1.6 Valuation of investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently they are measured at cost less impairment.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

1.12 Share based payments

The cost and corresponding increase in equity in respect of equity-settled share-based payment transactions with employees are measured by reference to the fair value of equity instruments issued at the date of grant. Amounts are expensed on a straight line basis over the vesting period based on the estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The cost and fair value of the liability incurred in respect of cash-settled transactions is measured using an appropriate option pricing model with changes in fair value recognised in the income statement for the period. Further detail is provided in note 21.

1.13 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

1.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.16 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.

Judgements in applying accounting policies and key sources of estimation and uncertainty

Judgements in applying the above accounting policies are detailed in the individual policies.

There are not considered to be any key sources of estimation uncertainty which, if proven to be inaccurate, would cause a material error in the financial statements.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	15,335,077	19,036,012
Rest of Europe	2,178,398	422,168
Rest of the world	3,597,713	786,925
	<u>21,111,188</u>	<u>20,245,105</u>

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2016 £	2015 £
Research & development charged as an expense	51,220	182,351
Depreciation of tangible fixed assets	96,054	60,368
Amortisation of intangible assets, including goodwill	274,064	-
Exchange differences	(163,084)	30,935
Defined contribution pension cost	13,398	10,136
	<u>13,398</u>	<u>10,136</u>

5. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	14,000	13,925
	<u>14,000</u>	<u>13,925</u>

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	5,451,669	4,463,315
Social security costs	497,341	478,260
Cost of defined contribution scheme	13,398	10,136
	<u>5,962,408</u>	<u>4,951,711</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
	<u>98</u>	<u>74</u>

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	799,924	772,891
Company contributions to defined contribution pension schemes	1,734	-
	<u>801,658</u>	<u>772,891</u>

During the year retirement benefits were accruing to 4 directors (2015 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £274,783 (2015 - £280,128).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £372 (2015 - £NIL).

During the year 1 director received shares under the long term incentive schemes (2015 -NIL)

8. Interest receivable

	2016 £	2015 £
Other interest receivable	<u>2,319</u>	<u>288</u>

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	11	-
	<u>11</u>	<u>-</u>

10. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	(259,532)	-
	<u>(259,532)</u>	<u>-</u>
Total current tax	<u>(259,532)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	253,780	(130,580)
Total deferred tax	<u>253,780</u>	<u>(130,580)</u>
Taxation on loss on ordinary activities	<u>(5,752)</u>	<u>(130,580)</u>

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(67,181)	609,038
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(13,436)	121,816
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	37,337	20,276
Capital allowances for year in excess of depreciation	66,872	(21,627)
Utilisation of tax losses	(462)	(182,405)
Short term timing difference leading to an increase/(decrease) in taxation	253,780	(130,580)
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	(533,989)	-
Double taxation relief	(200,218)	-
Unrelieved tax losses carried forward	358,436	-
Unrelieved loss on foreign subsidiaries	25,928	61,940
Total tax charge for the year	(5,752)	(130,580)

Factors that may affect future tax charges

The company has trading losses available of £1.69m (2015 - £1.27m) to offset against future taxable profits.

Parent company (loss)/profit for the year

The Company has taken advantage of the exemption allowed under Section - 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The loss after tax of the parent company for the year was £932,882 (2015 - profit of £1,092,801).

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Intangible assets

Group and Company

	Development £
Cost	
At 1 January 2016	642,719
Additions	1,096,254
At 31 December 2016	<u>1,738,973</u>
Amortisation	
At 1 January 2016	642,719
Charge for the year	274,064
At 31 December 2016	<u>916,783</u>
Net book value	
At 31 December 2016	<u>822,190</u>
At 31 December 2015	<u>-</u>

All of the Group's intangible fixed assets are held in the Parent Company.

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Tangible fixed assets

Group

	Fixtures & fittings £	Office equipment £	Computer equipment £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2016	244,721	21,925	165,602	29,555	461,803
Additions	21,295	2,252	26,469	8,477	58,493
At 31 December 2016	<u>266,016</u>	<u>24,177</u>	<u>192,071</u>	<u>38,032</u>	<u>520,296</u>
Depreciation					
At 1 January 2016	47,701	16,539	133,388	17,729	215,357
Charge for the period on owned assets	60,655	2,379	24,363	8,657	96,054
At 31 December 2016	<u>108,356</u>	<u>18,918</u>	<u>157,751</u>	<u>26,386</u>	<u>311,411</u>
Net book value					
At 31 December 2016	<u>157,660</u>	<u>5,259</u>	<u>34,320</u>	<u>11,646</u>	<u>208,885</u>
At 31 December 2015	<u>197,020</u>	<u>5,386</u>	<u>32,214</u>	<u>11,826</u>	<u>246,446</u>

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Tangible fixed assets (continued)

Company

	Fixtures & fittings £	Office equipment £	Computer equipment £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2016	241,228	21,266	161,884	29,555	453,933
Additions	2,378	2,252	25,013	-	29,643
At 31 December 2016	243,606	23,518	186,897	29,555	483,576
Depreciation					
At 1 January 2016	47,425	16,539	131,907	17,729	213,600
Charge for the period on owned assets	59,656	2,379	23,023	7,302	92,360
At 31 December 2016	107,081	18,918	154,930	25,031	305,960
Net book value					
At 31 December 2016	136,525	4,600	31,967	4,524	177,616
At 31 December 2015	193,803	4,727	29,977	11,826	240,333

13. Fixed asset investments

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Inskin Media Asia Limited	Ordinary	100 %	Trading subsidiary
InSkin Media GmbH	Ordinary	100 %	Trading subsidiary
Inskin Media Singapore Pte Ltd	Ordinary	100 %	Trading subsidiary
Inskin Media Australia Pty Ltd	Ordinary	100 %	Trading subsidiary
Manufactura Limited	Ordinary	100 %	Non-trading subsidiary
InSkin Media FZ-LLC	Ordinary	100 %	Trading subsidiary
Manufactura Ukraine LLC	Ordinary	100 %	Trading subsidiary

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Fixed asset investments (continued)

Name	Registered office
Inskin Media Asia Limited	Suite 1504, 15/F Chinachem Tower 34-37 Connaught Rd Central, Hong Kong
InSkin Media GmbH	Neuer Kamp 32, 20357, Hamburg
Inskin Media Singapore Pte Ltd	36 Robinson Road, #13-01, City House, Singapore (068877)
Inskin Media Australia Pty Ltd	Suite 1 Level 4, 3 Carlingford Road, Epping
Manufatura Limited	3rd Floor Fairgate House, 78 New Oxford Street, London, WC1A 1HB, United Kingdom
InSkin Media FZ-LLC	Office 3108, Shatha Tower, Media City, Dubai, UAE
Manufatura Ukraine LLC	01004, 42-44 Shovkovychna Street, Kiev, Ukraine

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Inskin Media Asia Limited	440,649	37,264
InSkin Media GmbH	(222,976)	307,977
Inskin Media Singapore Pte Ltd	275,527	202,036
Inskin Media Australia Pty Ltd	399,733	455,122
InSkin Media FZ-LLC	(129,639)	(129,639)
Manufatura Ukraine LLC	108,127	26,829

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	20,277
Additions	153,201
At 31 December 2016	<u>173,478</u>
Net book value	
At 31 December 2016	<u>173,478</u>
At 31 December 2015	<u>20,277</u>

14. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	6,458,498	6,303,550	4,849,896	5,859,354
Amounts owed by group undertakings	-	-	1,622,882	1,414,492
Other debtors	70,180	109,033	9,946	27,653
Prepayments and accrued income	263,668	215,917	186,252	180,776
Tax recoverable	259,532	-	259,532	-
Deferred taxation	-	253,780	-	253,780
	<u>7,051,878</u>	<u>6,882,280</u>	<u>6,928,508</u>	<u>7,736,055</u>

15. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	<u>954,655</u>	<u>1,527,135</u>	<u>360,370</u>	<u>1,439,125</u>

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	4,566,368	2,487,770	4,188,731	2,487,025
Other taxation and social security	585,261	608,237	441,015	586,022
Other creditors	18,352	7,034	3,710	-
Accruals and deferred income	2,048,749	3,409,486	1,606,277	3,239,413
	<u>7,218,730</u>	<u>6,512,527</u>	<u>6,239,733</u>	<u>6,312,460</u>

17. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>6,528,678</u>	<u>6,412,583</u>	<u>6,482,724</u>	<u>7,301,499</u>
	<u>6,528,678</u>	<u>6,412,583</u>	<u>6,482,724</u>	<u>7,301,499</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(6,633,469)</u>	<u>(5,902,343)</u>	<u>(5,798,718)</u>	<u>(5,726,437)</u>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial Liabilities measured at amortised cost comprise trade and other creditors; and accruals.

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. Deferred taxation

Group and Company

	2016 £
At beginning of year	253,780
Charged to profit or loss	(253,780)
	<u><u> </u></u>

The deferred tax asset is made up as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Tax losses carried forward	-	253,780	-	253,780
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

19. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1,805,385 A ordinary shares of £0.01 each	18,054	18,054
1,010,663 (2015 - 915,655) B ordinary shares of £0.01 each	9,956	9,156
822,304 C ordinary shares of £0.01 each	8,223	8,223
900,000 Preference shares of £0.01 each	9,000	9,000
	<u><u>45,233</u></u>	<u><u>44,433</u></u>

During the year the company issued 79,952 B ordinary shares (2015 : Nil) at £0.01 each with a nominal value of £799.50.

The shares are voting and have rights to dividends.

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Reserves

Share premium account

The share premium account represents the premium arising on the issue of shares net of issue costs.

Foreign exchange reserve

The foreign exchange translation reserve comprises translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling (£).

Other reserves

Other reserves comprise EMI Trust set-up reserves.

Profit & loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

21. Share based payments

Equity settled share based payment arrangements existed at the year end.

The share options relate to ordinary shares and the weighted average exercise price on the options is £0.75 per share (2015: £0.76 per share).

The fair value of each option award is estimated on the date of the grant by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows:

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	76	657,846	74	645,846
Granted during the year	50	50,500	250	25,000
Exercised during the year	0	-	-	-
Expired during the year	0	(51,969)	250	(13,000)
Outstanding at the end of the year	74	656,377	76	657,846
Weighted average share price (pence)	2016		2015	
	74		76	
Exercise price	£0.01 - £2.50		£0.01 - £2.50	
Contractual life	3 years		3 years	
Expected volatility	25%		25%	
Risk-free interest rate	0.5%		0.5%	

INSKIN MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. Pension commitments

The parent Company operates a defined contribution pension scheme. Pension costs for the year of £13,566 (2015: £10,136) have been charged to the profit and loss account. At the year end the parent company owed £4,507 (2015: £Nil) to the scheme, which is included in other creditors.

23. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	260,987	191,424	211,703	176,419
Later than 1 year and not later than 5 years	564,540	776,243	564,540	776,243
	<u>825,527</u>	<u>967,667</u>	<u>776,243</u>	<u>952,662</u>

Total operating lease payments made by Inskin Media Limited in 2016 was £258,113 (2015: £204,735).

INSKIN MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Related party transactions

During the year the Group made purchases totalling £600,705 (2015: £1,050,400) from ESI Media, a company in which J Byam Shaw is a director.

The amount due to ESI Media at the year end was £172,957 (2015: £295,748).

During the year the parent Company paid directors' fees of £26,150 (2015: £31,527) and accrued an additional £7,518 (2015: £Nil) to Media Assets Limited, a company in which J Byam Shaw is a director.

The amount due to Media Assets Limited at the year end was £7,518 (2015: £Nil).

During the year the parent Company paid directors' fees of £26,736 (2015: £23,754) and accrued an additional £7,639 (2015: £7,916) to Beringea LLP, a Limited Liability Partnership in which T Hope is a non-designated member.

The amount owed to Beringea LLP at the year end was £7,639 (2015: £7,916).

During the year the parent Company paid directors' fees of £15,000 (2015: £13,500) and accrued an additional £Nil (2015: £4,500) to Walmsley Media Limited, a Company in which A Walmsley is a director.

The amount due to Walmsley Media Limited at the year end was £Nil (2015: £4,500).

Inskin Media Limited has a senior Management Team comprised of Executive Directors and a secondary Management Team comprised of Heads of Department. The two teams are considered the key management personnel. The combined total of team members is 12 (2015: 17), with total remuneration being £1,571,510 (2015: £1,533,484).

The furniture shop owned by Geoffrey Drayton, the father of Hugo Drayton, supplied office furniture to the company for the full market value of £Nil (2015: £10,582).

During the year, the Company made total advances to Mr. Borchardt of £77,312 (2015: £Nil), of which £nil has been repaid. At the end of the reporting period the company was owed £77,312. This advance is made on the condition of shares being purchased in the Ukrainian subsidiary and being transferred back to Inskin Media Limited.

25. Controlling party

The directors do not consider there to be an ultimate controlling party.