
Financial report 2018
The Social Medwork B.V.
Amsterdam

3 April 2019

Table of contents

	Page
Financial statements	
Balance sheet as at 31 December 2018	3
Profit and loss account for the year 2018	5
Notes to the financial statements	6
Notes to the balance sheet	11
Notes to the profit and loss account	15
Tax position	18
Accountant's compilation report	20

Financial statements

Balance sheet as at 31 December 2018

(After proposal distribution of result)

Assets

		<u>31 December 2018</u>		<u>31 December 2017</u>	
		EUR	EUR	EUR	EUR
<i>Fixed assets</i>					
Property, plant and equipment	1		41,427		11,747
Financial assets					
Participations in group companies	2	0		0	
Deferred tax assets	3	613,177		0	
			613,177		0
<i>Current assets</i>					
Receivables					
Trade receivables	4	0		111,263	
Receivables from associated companies	5	850		0	
Taxes and social security charges	6	42,428		0	
Other receivables, prepayments and accrued income	7	40,923		31,240	
			84,201		142,503
Cash at banks and in hand	8		74,482		283,686
Total assets			<u>813,287</u>		<u>437,936</u>

Shareholder's equity and liabilities

		<u>31 December 2018</u>		<u>31 December 2017</u>	
		EUR	EUR	EUR	EUR
Shareholder's equity					
	9				
Issued capital	10	1,260		1,179	
Share premium		2,766,707		1,666,788	
Other reserve		(2,549,746)		(1,818,327)	
			218,221		(150,360)
Current liabilities					
Amounts owed to credit institutions	11	20,212		0	
Accounts payable		382,863		408,644	
Taxes and social security charges	12	28,396		25,652	
Other liabilities and accrued expenses	13	163,595		154,000	
			595,066		588,296
Total shareholder's equity and liabilities			<u>813,287</u>		<u>437,936</u>

Profit and loss account for the year 2018

		<u>2018</u>	<u>2017</u>
		EUR	EUR
<i>Net Turnover</i>	14	2,430,539	2,011,285
Cost of sales	15	1,982,901	1,702,349
Personnel expenses	16	1,031,380	608,980
Depreciation of intangible and tangible fixed assets	17	7,250	2,387
Other operating expenses	18	742,234	371,339
<i>Total operating expenses</i>		<u>3,763,765</u>	<u>2,685,055</u>
<i>Operating result</i>		(1,333,226)	(673,770)
Financial income and expense	19	(11,370)	(5,641)
		(1,344,596)	(679,411)
Income tax expense		613,177	0
<i>Net result after taxation</i>		<u>(731,419)</u>	<u>(679,411)</u>

Notes to the financial statements

Entity information

Registered address and registration number trade register

The registered and actual address of The Social Medwork B.V. is Herengracht 480, 1017 CB in Amsterdam. The Social Medwork B.V. is registered at the Chamber of Commerce under number 62439715.

General notes

The most important activities of the entity

The objectives of The Social Medwork B.V. are mainly comprised of:

- To build and maintain a worldwide online Marketplace together with related or contractually or otherwise connected Enterprises;
- To incorporate, form, establish, acquire and dispose of companies, partnerships and business, to acquire and dispose of participating interests therein, and to conduct the affairs of, manage and finance companies, partnerships and business, or to have others manage and finance the same of conduct affairs thereof, and to undertake advisory and consultancy activities;
- To acquire, manage and exploit intellectual and industrial property rights;
- To acquire, dispose of, encumber, exploit and invest in property subject to compulsory registration and moveable property, securities and other financial instruments, to grant and raise loans, either as surety guarantor or otherwise, for group companies, shareholder and third parties and to pay recurring benefits;
- To perform any acts relating or conductive to the above objects, all in the broadest sense.

Disclosure of going concern

The Company's ability to continue as a going concern is highly contingent on the ability to raise new capital. The Company issued an convertible loan in 2019 for the amount of EUR 700,000 which will be sufficient to cover the cashflow in the first quarter of 2019. Furthermore the Company intends to raise more capital or loans in 2019 to finance the additional cash needed for further growth. Management has the expectation that the cashflow will become positive in the fourth quarter of 2019 and no further capital will be needed.

The present accounting policies of valuation and determination of result used are based on the assumption of going concern of the Company.

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of The Social Medwork B.V. make different estimates and judgements that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the relevant financial statement item.

The exemption of consolidation

Consolidation of group companies has not taken place as The Social Medwork B.V. is exempt from this obligation pursuant to Article 407 of the Dutch Civil Code.

General accounting principles

The accounting standards used to prepare the financial statements

The financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards for small legal entities, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

Disclosure of changes in accounting policies

The accounting policies have been consistently applied to all the years presented.

Conversion of amounts denominated in foreign currency

Items included in the financial statements of The Social Medwork B.V. are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of The Social Medwork B.V.

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

Operating leases

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the Company, are recognised as operating leases. Lease payments are recognised on a straight-line basis in the income statement over the term of the contract, taking into account reimbursements received from the lessor.

Accounting principles

Property, plant and equipment

The property, plant or equipment are stated at historical cost plus expenditure that is directly attributable to the acquisition of the items, less straight-line depreciation over their estimated useful lives.

Allowance is made for any impairment losses expected at the balance sheet date. For details on how to determine whether property, plant or equipment is impaired, please refer to the respective note.

Financial assets

Group companies and other associates in which the Company exercises significant influence, generally accompanying a shareholding of 20% or more of the voting rights, are stated at net asset value.

Net asset value is calculated using the accounting policies applied in these financial statements. Associates whose financial information cannot be aligned to these policies are valued based on their own accounting policies.

Associates with an equity deficit are carried at nil. A provision is formed if and when The Social Medwork B.V. is fully or partially liable for the debts of the associate, or has the firm intention to allow the associate to pay its debts.

Associates acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the profit and loss account.

Associates in which no significant influence can be exercised are recognised at cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

If an asset qualifies as impaired, it is measured at its impaired value (reference is made to Impairment of non-current assets); any write-offs are disclosed in the income statement.

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax assets are valued at their nominal value.

Impairment of non-current assets

On each balance sheet date, The Social Medwork B.V. assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use.

An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset/cash-generating unit; these cash flows are discounted.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill is not reversed.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. Provisions for bad debts are deducted from the carrying amount of the receivable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition

Net turnover comprises the income from the supply of goods after deduction of discounts and such like and of taxes levied on the turnover.

Gross operating result

Revenue from sales of goods is recognised when all significant risks and rewards incidental to the ownership of the goods have been transferred to the buyer.

Selling expenses

Selling expenses represents the direct and indirect expenses attributable to revenue.

Amortisation of intangible assets and depreciation of property, plant and equipment

Property, plant and equipment are depreciated over the estimated useful life as from the inception of their use. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life. Gains and losses from the occasional sale of property, plant and equipment are included in depreciation.

Other operating expenses

Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

Financial income and expenses

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur.

Income tax expense

Corporate income tax on the result is calculated based on the result before tax in the profit and loss account, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Notes to the balance sheet

1 Property, plant and equipment

	<i>Furniture</i>	<i>Office equipment</i>	<i>Total</i>
	EUR	EUR	EUR
Balance as at 1 January 2018			
Acquisition costs	0	15,547	15,547
Cumulative depreciation	0	(3,800)	(3,800)
Book value as at 1 January 2018	0	11,747	11,747
Movements			
Investments	23,901	13,029	36,930
Depreciation	(3,142)	(4,108)	(7,250)
Balance movements	20,759	8,921	29,680
Balance as at 31 December 2018			
Acquisition costs	23,901	28,576	52,477
Cumulative depreciation	(3,142)	(7,908)	(11,050)
Book value as at 31 December 2018	20,759	20,668	41,427
Depreciation percentages	20	20	

2 Participations in group companies

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
CuresUnited LLC, New York, United States of America	0	0

There has been no year-end financial transactions in CuresUnited LLC as the company is dormant. Therefore the net asset value for CuresUnited LLC at 31 December 2018 is nil.

3 Deferred tax assets

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
Deferred tax asset	613,177	0

Deferred tax asset

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Balance as at 1 January	0	0
Increasing	613,177	0
<i>Balance as at 31 December</i>	<u>613,177</u>	<u>0</u>

The fiscal losses of the Company have been valued against a taxrate of 20%. The Management of the Company expects to start utilizing the fiscal losses as from 2020.

Disclosure of receivables

All receivables fall due in less than one year. The fair value of the receivables approximates the book value

4 Trade receivables

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
Trade receivables	0	144,183
Provision for bad debts	0	(32,920)
	<u>0</u>	<u>111,263</u>

The management of the Company decided to change the moment of invoicing during the sales process. As a result of this the Company does not have debtors anymore but deferred income (refer to note 7). This change has no impact on the recognition of revenue.

5 Receivables from associated companies

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
The Butterfly Circus B.V.	850	0

In respect of repayment and securities provided, no agreements have been made.

6 Taxes and social security charges

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
Value-added tax	42,428	0

7 Other receivables, prepayments and accrued income

	<u>31-12-2018</u>	<u>31-12-2017</u>
	EUR	EUR
Accruals and prepaid expenses	21,753	30,000
Deferred income	17,930	0
The Social Medwork Foundation	1,240	1,240
	<u>40,923</u>	<u>31,240</u>

8 Cash at banks and in hand

Disclosure of cash and cash equivalents

Of cash and cash equivalents, EUR 10,000 is not at the Company's free disposal, including a guarantee account to the amount of EUR 10,000.

9 Shareholder's equity

	<u>Issued capital</u>	<u>Share premium</u>	<u>Other reserve</u>	<u>Total</u>
	EUR	EUR	EUR	EUR
Balance as at 1 January 2018	1,179	1,666,788	(1,818,327)	(150,360)
Appropriation of result	0	0	(731,419)	(731,419)
Capital contribution in cash	81	1,099,919	0	1,100,000
	<u>1,260</u>	<u>2,766,707</u>	<u>(2,549,746)</u>	<u>218,221</u>
Balance as at 31 December 2018	1,260	2,766,707	(2,549,746)	218,221

The withheld part of the result in equity

The retained part of the result for the financial year ending on 2018 amounts to € 731,419 negative.

10 Issued capital

Disclosure of share capital

The authorised share capital of The Social Medwork B.V. amounts to € 1,259.87 as per 31 December 2018, divided into 125,985 ordinary shares with a nominal value of € 0.01 per share and 2 priority shares with a nominal value of € 0.01 per share. The holders of the priority shares have the right to appoint a member of the supervisory board.

Disclosure of current liabilities

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

11 Amounts owed to credit institutions

	<u>31-12-2018</u> EUR	<u>31-12-2017</u> EUR
Amounts owed to credit institutions	20,212	0

12 Taxes and social security charges

	<u>31-12-2018</u> EUR	<u>31-12-2017</u> EUR
Value-added tax	0	3,068
Wage tax	28,396	22,584
	<u>28,396</u>	<u>25,652</u>

13 Other liabilities and accrued expenses

	<u>31-12-2018</u> EUR	<u>31-12-2017</u> EUR
Holiday allowance payable	9,500	9,500
Cost of sales payable	74,229	125,000
Other payables	79,866	19,500
	<u>163,595</u>	<u>154,000</u>

Contingent assets and liabilities

Disclosure of off-balance sheet commitments

As at 31 December 2018 the Company has fiscal losses of approximately EUR 3,065,886 to be offset against future profits for corporate tax purposes. The deferred corporate income tax claim on that amounts to EUR 613,177.

The period in which these fiscal losses can be settled with future profitable activities is restricted to nine years.

Off-balance sheet commitments relating to guarantees

A bank guarantee of EUR 10,000 has been issued.

Disclosure of operating leases

The nominal value of the minimal lease payments amounts EUR 7,750 a month as at 31 December 2018 which will end at 30 November 2019.

Notes to the profit and loss account

14 Net Turnover

	<u>2018</u>	<u>2017</u>
	EUR	EUR
The Netherlands	35,259	79,711
Other European countries	653,108	614,193
Other countries	1,742,172	1,317,381
	<u>2,430,539</u>	<u>2,011,285</u>

15 Cost of sales

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Cost of sales	<u>1,982,901</u>	<u>1,702,349</u>

16 Personnel expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Salaries and wages	909,892	538,582
Social security charges	121,488	70,398
	<u>1,031,380</u>	<u>608,980</u>

Salaries and wages

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Salaries and wages	777,992	443,672
Management fee	131,900	94,910
	<u>909,892</u>	<u>538,582</u>

Average number of employees

2018

Average number of employees	<u>Number</u>
	16.84

2017

Average number of employees	<u>Number</u>
	10.90

17 Depreciation of intangible and tangible fixed assets

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Depreciation of tangible fixed assets	7,250	2,387

18 Other operating expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Other personnel expenses	74,388	41,752
Housing expenses	86,901	31,956
Selling expenses	305,238	142,349
Car expenses	1,310	3,977
Office expenses	49,549	16,572
General expenses	224,848	134,733
	<u>742,234</u>	<u>371,339</u>

Other personnel expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Outsourced work	25,341	27,203
Training expenses	11,591	917
Other personnel expenses	37,456	13,632
	<u>74,388</u>	<u>41,752</u>

Housing expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Rent	79,250	28,601
Cleaning expenses	5,680	1,194
Property tax	0	228
Other housing expenses	1,971	1,933
	<u>86,901</u>	<u>31,956</u>

Selling expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Advertising expenses	234,055	75,812
Travel and accommodation expenses	39,581	18,859
Printed matter	15,000	504
Gifts	1,052	1,339
Allocation to provision for bad debts	0	32,920
Other selling expenses	15,550	12,915
	<u>305,238</u>	<u>142,349</u>

Car expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Fuel expenses	1,310	3,574
Other car expenses	0	403
	<u>1,310</u>	<u>3,977</u>

Office expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Office supplies	19,863	3,549
IT expenses	18,978	8,394
Telephone expenses	8,405	4,576
Printed matter	1,596	46
Postage	707	7
	<u>49,549</u>	<u>16,572</u>

General expenses

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Legal fees	96,477	29,804
Subscription expenses	11,482	8,493
Advisory expenses	6,961	86,472
Administration expenses	4,504	4,504
Accountancy expenses	4,500	4,500
Insurance policies	1,804	1,392
Other general expenses	99,120	(432)
	<u>224,848</u>	<u>134,733</u>

The other general expenses includes fines from the Ministry of Health, Welfare and Sports for the amount of EUR 96,166. Although the management of the Company does not agree to the fine of EUR 66,166 the expectation is that the fine will be maintained by the Ministry of Health, Welfare and Sports and has therefore been accrued under the other liabilities.

19 Financial income and expense

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Interest and similar expenses	(11,370)	(5,641)

Tax position

Calculation taxable amount

	<u>2018</u>
	EUR
Result before taxation	(1,344,596)
Partially deductible amounts	
Application lump sum	4,500
Other non-deductible amounts	
Fines	96,166
	<u>(1,243,930)</u>
Investment agreements	
Small scale investment allowance	(10,341)
Taxable amount	<u>(1,254,271)</u>

Calculation corporate tax

Loss compensation

Year	Compensa- ble loss EUR	Compensa- ted with previous years EUR	Available for com- pensation at the be- ginning of the finan- cial year EUR	Compensa- tion during the year 2018 EUR	Available for com- pensation at the end of the fi- nancial year EUR
2015	492,208	0	492,208	0	492,208
2016	641,937	0	641,937	0	641,937
2017	677,471	0	677,471	0	677,471
2018	1,254,271				1,254,271
	<u>3,065,887</u>	<u>0</u>	<u>1,811,616</u>	<u>0</u>	<u>3,065,887</u>

Whilst the effect of the recognition of the tax asset amounting to EUR 613,177 has been entirely reflected in the fiscal year 2018, the recorded tax asset has been comprised of the tax effect (20%) of the current year loss and prior year losses, as follows:

	Loss carry forward	Income tax rate 20%
2015	492,208	98,442
2016	641,937	128,387
2017	677,471	135,494
2018	1,254,271	250,854
Total	<u>3,065,887</u>	<u>613,177</u>

Amsterdam, 3 April 2019
The Social Medwork B.V.

J.H. Vink
Director

N. Kroes
Supervisory Board

J.A. Heywood
Supervisory Board

J.W. Verloop
Supervisory Board

S.M. Ehren
Supervisory Board



Accountant's compilation report

To: The Board of Directors of The Social Medwork B.V.

The financial statements of The Social Medwork B.V., Amsterdam, have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 31 December 2018 and the profit and loss account for the year then ended with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.)

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, 'Compilation engagements', which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of The Social Medwork B.V. We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the 'Verordening Gedrags- en Beroepsregels Accountants' (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

Rotterdam The Netherlands, 3 April 2019
PricewaterhouseCoopers Compliance Services B.V.

L.C.M. Wagemans RA

*PricewaterhouseCoopers Compliance Services B.V., Fascinatio Boulevard 350, 3065 WB Rotterdam,
P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl*

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.