

1. The first step is to identify the problem. This involves understanding the current situation and what needs to be changed.

for the year ended 31 December 2018

<http://www.internetq.com>

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2018

Review of the Group's business

InternetQ's holdings have been carefully curated to amplify the focus upon the fastest moving growth areas in the mobile economy. All the key drivers that comprise the industry, have seen continued maturation and development towards highly commercial ends. Smartphone penetration has continued to expand towards the multiple billions in terms of devices being used globally (5.3 billion smartphones by 2020) and mobile advertising has overtaken online in key markets (like the UK) by both revenue and volume. As such, the Minimob business unit is at the forefront of a market shift of seismic proportions, and given the immediately effective nature of the restructuring and careful cost control, the attendant business areas all remain in good stead.

A summary of key financial results is set out in the table below and discussed in this section:

Financial Results	2018 (€)	2017 (€)	% Increase / (decrease)
Non-Akazoo revenues	69.582.753	75.078.878	-7%
Akazoo revenues	104.673.517	89.358.335	17%
Total revenues	174.256.271	164.437.213	6%
Adjusted EBITDA*	18.225.578	20.689.301	-12%
Adjusted operating profit*	2.310.966	7.437.830	-69%
Adjusted profit after tax	3.376.755	4.585.509	-26%
EBITDA	18.231.628	20.689.301	-12%
Operating (loss)/profit	1.166.667	6.287.481	-81%
(Loss)/Profit after tax	(2.549.113)	(2.057.738)	24%

*Refer to note 7 for the definition of the adjusted results.

Group revenues increased by 6% in 2018, with the Akazoo business delivering substantial sales growth. Revenues from Non-Akazoo activities decreased by 7% to €69.6 million (2017: €75.1 million) while revenues from Akazoo increased by 17% to €104.7 million (2017: €89.4 million).

Operating costs increased by 10% from Akazoo business. Adjusted EBITDA (note 7) decreased by 12% to €18.2 million (2017: €20.7 million), a margin of 10% (2017: 13%). The adjusted profit after income tax (note 7) for the year decreased to €3.4 million compared to €4.6 million for 2017.

Our Statement of Financial Position at 31 December 2018 is summarized in the table below:

Financial Position	Assets (€)	Liabilities (€)	Net assets (€)
Property, plant & equipment & investment properties	2.026.964	-	2.026.964
Goodwill & intangible assets	83.708.591	-	83.708.591
Other non-current assets and liabilities	376.861	(63.631.964)	(63.255.103)
Deferred tax	825.354	(1.146.573)	(321.219)
Other current assets and liabilities	66.103.458	(28.304.689)	37.798.769
Total before net cash	153.041.228	(93.083.226)	59.958.002
Net cash (including restricted cash)	2.010.069	(12.467.516)	(10.457.447)
Total as at 31 December 2018	155.051.297	(105.550.742)	49.500.555
Total as at 31 December 2017	152.642.412	(101.150.807)	51.491.605

In March 2018 the Group entered into a new credit facility agreement for the amount of €10 million. The facility may be utilized as an overdraft bearing an interest of 3.15% p.a., as a money market loan bearing an interest of Euribor plus 2.7% p.a., for guarantees and for import letters of credit. This credit facility has a term until 26.02.2020.

Strategic Report (continued)

The Group generated €19 million (2017: €8.3 million) in cash from operating activities. Receivables days outstanding decreased to 134 days (2017: 155 days) and its cash conversion cycle to 85 days (2017: 92 days) as the collection cycle of some Mobile Marketing Campaigns decreased.

Summary

As the Group transitions into 2019, all indicators point toward a highly successful period of reinvestment and consolidation, especially in terms of the technical delivery of a sophisticated and scalable Minimob platform – and the imminent realization of the programmatic future.

Principal risks and uncertainties

Risk	Impact on Group	Assessment of change in risk year-on-year Business Risks	Mitigation of Risk
Remaining competitive in a fast developing market – Mobile Marketing	Mobile marketing is growing rapidly as the mobile ecosystem evolves and InternetQ needs to continue to innovate and provide exceptional service to an increasing breadth of customers.	A growing market encourages new entrants but it also shakes weaker players.	We monitor competition closely and rapidly introduce new advertising formats to Minimob. We have achieved a high penetration of application developers. We promote a company culture that embraces and encourages continuous change.
Failure to retain and motivate key people	Technology and marketing competence and innovation is critical to the Group's performance and is highly dependent on the expertise of the Directors and key employees.	The Group continues to have a low turnover of employees and the Greek economy continues to offer a good supply of high quality people. InternetQ has a good reputation as an employer in Athens and has won a prestigious HR award	The Group also has competitive remuneration packages in place to secure the services of the Directors and key employees.
Significant failure/interruption to network or IT Systems	A failure or interruption to networks or IT system would result in high financial impact since all the value of the business is derived from such technology.	The Group has not experienced any issues to date in regard to this risk. It has continued to invest in improved technical infrastructure and process to protect itself from cybercrime and other failures.	The Group has rigorous controls to maintain and secure our operations, including multi-site back up of key systems. Additionally the Group has developed, implemented and tested a disaster recovery plan.
Failure to keep up to date with fast evolving technology	An important part of the Group's job is staying up to date Technologies and the ideas surrounding these technologies and the things we can do with them are constantly evolving and neglecting to keep up with them could adversely affect the Group's performance.	During 2018, the Group carried major upgrades of its mobile advertising platform, Minimob and introduced several new features on its music-streaming platform, Akazoo.	The Group has strong product and market knowledge which is enriched through new partnerships and active participation in trade shows and exhibitions
Risks from International Operations	The Group is exposed to a variety of risks and challenges in managing an organization operating in various countries, including some less developed, emerging markets. The regulatory frameworks may change and adversely impact our business. Local culture differences may cause increased risk.	The Group's operations are largely managed centrally which contains the risk.	The risk is partially mitigated by operating across a diverse range of territories and maintaining group wide internal control processes including common systems and financial reporting, group policies and strong HR processes. During 2018 the Group has significantly decreased the amount of subsidiaries abroad.

Principal risks

Risk	Impact on Group	Assessment of change in risk year-on-year	Mitigation of Risk
Financial Risks			
Foreign currency risk	The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's investments in foreign subsidiaries.	The Group exposure to foreign exchange risk decreased in 2018 as a number of subsidiaries were either closed or sold. The majority of the Group's operational costs are either in the same currency as the local sales or in Greece, which is in the Euro zone. Thus, there is a natural trading hedge within individual countries between sales and direct costs.	The Group mitigates this risk by holding most of the cash in Euros in tier 1 banks and reviewing their FX hedging policy annually. The risk is also mitigated by holding costs and revenues in the same local currency so attaining a natural hedge.

Going concern

The directors consider that the Group has considerable financial and other resources to manage its business risks successfully, as it has a diverse range of businesses across different geographical areas and remains financially strong. Accordingly, the directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

For further information related to the Group's business risks and financial position please refer to the Strategic Report, section "Principal risks and uncertainties" as well as to note 28 Financial risk management objectives and policies section "Capital Management".

Approved by the Board and signed on its behalf by



Panagiotis Dimitropoulos
(Chief Executive Officer)

16 December 2019

Directors' Report

The directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Details of significant events since the end of the reporting period are contained in note 29 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report. Information about the use of financial instruments by the company and its subsidiaries is given in note 28 to the financial statements.

Business review

The Group offers mobile marketing solutions and digital entertainment that enables brands, MNOs and media companies to design and implement targeted, interactive and measurable campaigns by engaging with and entertaining mobile network subscribers via their mobile devices. For the review of the business during the year please refer to the Strategic Report included within the Annual Report.

Dividends

At present, the directors consider that it may be more prudent to retain cash to fund the expansion of the Group and as a result, feel it is inappropriate to give an indication of the likely level or timing of any future dividend payout (2017: nil).

Directors

The directors, who served within 2018 were as follows

- Panagiotis Dimitropoulos (CEO and Founder)
- Veronica Nocetti (CFO)
- David Calder (Non- Executive Director)

On 12 September 2019 Mr. David Calder resigned from his office as a director of the Company.

Subsequent events

In September 2019, the Group completed its merger of Akazoo business with Modern Media Acquisition Corp.. Further details are provided at note 29

Directors' Statement as to Disclosure of Information to Auditors

Having made enquiries of fellow directors and of the Group and the Company's Auditors, each director confirms that to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group and the Company's auditors are unaware.

The Directors of the Group have taken all the steps that they might reasonably be expected to have taken as directors in order to make themselves aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' Report (continued)

Auditors

The auditors, AGK Partners, were appointed during the year and their re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by



Veronica Nozetti
(Director & Chief Financial Officer)
16 December 2019

Directors' Responsibilities Statement

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.


Veronica Nocetti
(Director & Chief Financial Officer)
16 December 2019

Independent auditor's report to the members of InternetQ Group Limited

Opinion

We have audited the financial statements of Internet Q Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 Group'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 in the Group Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors 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.

Independent auditor's report to the members of InternetQ Group Limited (continued)

Opinion on other matters 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our 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 a Report of the Auditors 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.

Alekos Christofi FCCA (Senior Statutory Auditor)
for and on behalf of AGK Partners
1 Kings Avenue, London N21 3NA
16 December 2019

Income Statements

For the years ended 31 December 2018 and 2017

(Amounts in Euro unless otherwise stated)

	Notes	Group		Company	
		2018	2017	2018	2017
Revenues	7	174.256.271	164.437.213	-	-
Direct cost of revenues		(137.324.078)	(129.236.751)	-	-
Gross profit		36.932.193	35.200.462	-	-
Other operating income	8	388.290	2.765.884	-	-
Operating expenses	8	(19.058.750)	(16.932.517)	(77.112)	(79.776)
Other operating expenses	8	(30.105)	(344.528)	-	-
Depreciation and amortisation	8	(17.064.961)	(14.401.820)	-	-
Operating profit /(loss)		1.166.667	6.287.481	(77.112)	(79.776)
Finance costs	9	(6.941.813)	(8.591.447)	(5.540.346)	(4.767.529)
Finance income	9	994.030	907.487	16.628.050	9.822
Profit /(loss) before income tax		(4.781.116)	(1.396.479)	11.010.592	(4.837.482)
Income tax	10	2.232.003	(661.259)	-	-
Profit /(loss) after income tax		(2.549.113)	(2.057.738)	11.010.592	(4.837.482)
Attributable to:					
Owners of the Company		(4.120.067)	(4.067.985)	11.010.592	(4.837.482)
Non-controlling interest	20	1.570.954	2.010.247	-	-
		(2.549.113)	(2.057.738)	11.010.592	(4.837.482)

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

All results are derived from continuing operations.

Statements of Comprehensive Income
For the years ended 31 December 2018 and 2017

(Amounts in Euro unless otherwise stated)

	Notes	Group		Company	
		2018	2017	2018	2017
Profit/(loss) for the year		(2.549.113)	(2.057.738)	11.010.592	(4.837.482)
Other comprehensive income					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Exchange differences on translation of foreign operations		504.508	2.481.621	539.495	1.676.979
<u>Items that may not be reclassified subsequently to profit or loss</u>					
Remeasurement of defined benefit obligations		13.562	6.226	-	-
Other comprehensive income for the year		518.070	2.487.847	539.495	1.676.979
Total comprehensive income/(loss) for the year		(2.031.043)	430.109	11.550.087	(3.160.503)
Attributable to:					
Owners of the Company		(3.601.997)	(1.580.138)	11.550.087	(3.160.503)
Non-controlling interest	20	1.570.954	2.010.247	-	-
		(2.031.043)	430.109	11.550.087	(3.160.503)

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

Statements of Financial Position
As at 31 December 2018 and 2017

(Amounts in Euro unless otherwise stated)

	Notes	Group		Company	
		2018	2017	2018	2017
Assets					
Non-current assets					
Property, plant and equipment	11	1.627.964	2.206.127	-	-
Investment properties		399.000	393.000	-	-
Investment in subsidiaries	12	-	-	102.824.615	91.848.162
Goodwill	13	20.668.153	20.668.153	-	-
Intangible assets	14	63.040.438	56.916.169	-	-
Non-current financial assets	15	109.627	109.627	-	-
Other non-current assets		267.234	315.802	-	-
Deferred tax assets	10	825.354	138.357	-	-
Total non-current assets		86.937.770	80.747.235	102.824.615	91.848.162
Current assets					
Trade receivables	16	64.421.699	62.603.683	-	-
Other receivables	17	1.681.759	5.582.517	27.264.137	12.899.032
Cash and cash equivalents	18	2.010.069	3.708.977	-	2.131
Restricted cash	18	-	-	-	-
Total current assets		68.113.527	71.895.177	27.264.137	12.901.163
Total assets		155.051.297	152.642.412	130.088.752	104.749.325
Equity and liabilities					
Equity attributable to equity holders of the parent company					
Share capital	19	108.055	108.055	108.055	108.055
Share premium	19	1.163.455	1.163.455	1.163.455	1.163.455
Other components of equity	19	-	-	-	-
Other capital reserves		(1.962.306)	(1.975.868)	-	-
Merger relief reserve	19	9.533.962	9.533.962	9.533.962	9.533.962
Common control merger reserve	19	(67.399.560)	(9.597.010)	24.326.538	29.420.669
Exchange differences		7.848.320	7.343.812	8.500.414	7.960.919
Retained earnings		74.094.217	20.371.741	13.508.874	(2.635.842)
Equity attributable to equity holders of the parent company		23.386.143	26.948.147	57.141.298	45.551.218
Non-controlling interest	20	26.114.412	24.543.458	-	-
Total equity		49.500.555	51.491.605	57.141.298	45.551.218
Non-current liabilities					
Long term loans	21	8.500.500	100.000	8.500.500	-
Other non-current financial liabilities	22	61.497.047	56.883.518	61.497.047	56.883.518
Derivative financial liability	23	2.027.435	2.247.780	2.027.435	2.247.780
Other non-current liabilities		107.482	117.977	-	-
Deferred tax liabilities	10	1.146.573	2.692.455	-	-
Total non-current liabilities		73.279.037	62.041.730	72.024.982	59.131.298
Current liabilities					
Trade payables	24	20.928.359	21.120.509	59.099	62.931
Short term loans	21	3.842.016	9.814.178	829.719	-
Current portion of long term loans	21	125.000	375.000	-	-
Income tax payable		4.863.431	4.852.788	-	-
Other liabilities	25	2.512.899	2.946.602	33.654	3.878
Total current liabilities		32.271.705	39.109.077	922.472	66.809
Total liabilities		105.550.742	101.150.807	72.947.454	59.198.107
Total equity and liabilities		155.051.297	152.642.412	130.088.752	104.749.325

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

Statements of Financial Position (continued)

The financial statements of InternetQ Group Ltd for the year ended 31 December 2018 were approved and authorized for issue by the Company's board of directors on 9 December 2019.

Panagiotis Dimitropoulos
Chief Executive Officer
16 December 2019

Veronica Nocetti
Chief Financial Officer



Internet INTERNETQ GROUP LTD

Annual Report and Financial Statements for the year ended 31 December 2018

Statement of Changes in Equity

For the years ended 31 December 2018 and 2017
(Amounts in Euro unless otherwise stated)

Group	Share capital	Share premium	Other components of equity	Other capital reserves	Merger relief reserve	Common merger reserve	Exchange differences	Retained earnings	Shareholders equity	Non-controlling interest	Total
Balance at 1 January 2017	108,055	1,163,455	3,905,929	(1,050,963)	9,533,962	(4,813,904)	4,862,191	19,686,370	33,395,095	22,533,212	55,928,307
(Loss)/Profit after income tax	-	-	-	-	-	-	-	(4,067,985)	(4,067,985)	2,010,247	(2,057,738)
Other comprehensive income	-	-	-	6,226	-	-	2,481,621	-	2,487,847	-	2,487,847
Total comprehensive income/(loss)	-	-	-	6,226	-	-	2,481,621	(4,067,985)	(1,580,138)	2,010,247	430,109
Contingent considerations (Note 19)	-	-	(3,905,929)	(931,131)	-	-	-	-	(4,837,060)	-	(4,837,060)
Non controlling interest increase (Note 20)	-	-	-	-	-	84,030	-	-	84,030	-	84,030
Adjustments arising from Group reorganization	-	-	-	-	-	(4,867,137)	-	4,753,356	(113,781)	-	(113,781)
Balance at 31 December 2017	108,055	1,163,455	-	(1,975,868)	9,533,962	(9,597,010)	7,343,812	20,371,741	26,948,147	24,543,458	51,491,605
Profit/(loss) after income tax	-	-	-	-	-	-	-	(4,120,067)	(4,120,067)	1,570,954	(2,549,113)
Other comprehensive income	-	-	-	13,562	-	-	504,508	-	518,070	-	518,070
Total comprehensive income/(loss)	-	-	-	13,562	-	-	504,508	(4,120,067)	(3,601,997)	1,570,954	(2,031,043)
Derivative financial liability decrease	-	-	-	-	-	211,049	-	-	211,049	-	211,049
Unwinding of loan notes discount	-	-	-	-	-	(5,305,180)	-	5,134,124	(171,056)	-	(171,056)
Adjustments arising from Group reorganization	-	-	-	-	-	(52,708,419)	-	52,708,419	-	-	-
Balance at 31 December 2018	108,055	1,163,455	-	(1,962,306)	9,533,962	(67,399,560)	7,848,320	74,094,217	23,386,143	26,114,412	49,500,555

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

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INTERNETQ GROUP LTD

Annual Report and Financial Statements
for the year ended 31 December 2018

Statements of Changes in Equity

For the years ended 31 December 2018 and 2017

(Amounts in Euro unless otherwise stated)

Company	Share capital	Share premium	Merger relief reserve	Common control merger reserve	Exchange differences	Retained earnings	Shareholders equity	Non-controlling interest	Total
Balance at 1 January 2016	-	-	-	-	-	-	-	-	-
Loss after income tax	-	-	-	-	-	(2,551,716)	(2,551,716)	-	(2,551,716)
Other comprehensive income	-	-	-	-	6,283,940	-	6,283,940	-	6,283,940
Total comprehensive income/(loss)	-	-	-	-	6,283,940	(2,551,716)	3,732,224	-	3,732,224
Share capital increase (Note 19)	108,055	1,163,455	9,533,962	-	-	-	10,805,472	-	10,805,472
Recognition of loan notes at inception at FV	-	-	-	36,617,103	-	-	36,617,103	-	36,617,103
Derivative financial liability	-	-	-	(2,413,327)	-	-	(2,413,327)	-	(2,413,327)
Balance at 31 December 2016	108,055	1,163,455	9,533,962	34,203,776	6,283,940	(2,551,716)	48,741,472	-	48,741,472
Loss after income tax	-	-	-	-	-	(4,837,482)	(4,837,482)	-	(4,837,482)
Other comprehensive income	-	-	-	-	1,676,979	-	1,676,979	-	1,676,979
Total comprehensive income/(loss)	-	-	-	-	1,676,979	(4,837,482)	(3,160,503)	-	(3,160,503)
Derivative financial liability decrease	-	-	-	84,030	-	-	84,030	-	84,030
Unwinding of loan notes discount	-	-	-	(4,867,137)	-	4,753,356	(113,781)	-	(113,781)
Balance at 31 December 2017	108,055	1,163,455	9,533,962	29,420,669	7,960,919	(2,635,842)	45,551,218	-	45,551,218

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

Statements of Cash Flows

For the years ended 31 December 2018 and 2017

(Amounts in Euro unless otherwise stated)

	Group		Company	
	2018	2017	2018	2017
Cash flows from operating activities				
(Loss)/Profit before income tax	(4.781.116)	(1.396.479)	11.010.592	(4.837.482)
Adjustments for:				
Depreciation and amortisation	17.064.960	14.401.820	-	-
Revaluation of investment property	(6.000)	19.800	-	-
Revaluation of financial assets	-	253.133	-	-
Loss/(gain) from disposal of financial asset	-	838.964	-	-
(Gain)/loss on disposal of investments	-	(660.240)	-	-
Increase in other provisions	-	-	-	-
Provision for employee benefits liability	65.206	33.514	-	-
Allowance for doubtful trade and other receivables	93.688	(22.450)	-	-
Losses/(gains) on disposal of property, plant, and equipment	(3.038)	4.281	-	-
Finance income	(1.143)	(36.096)	-	-
Foreign exchange differences	(1)	(121.160)	-	-
Finance costs	6.126.595	5.564.129	5.406.703	4.767.529
Net cash before working capital changes	18.559.151	18.879.216	16.417.295	(69.953)
Movement in working capital:				
Trade receivables	(1.792.048)	11.169.490	-	-
Other receivables	3.861.856	(3.094.844)	-	-
Restricted cash	-	107.786	-	-
Other non-current assets	48.568	55.089	-	-
Trade payables	(909.111)	(16.263.875)	(3.831)	62.931
Other liabilities	(733.512)	(2.409.827)	(14.335.329)	(7.205.931)
Income taxes paid	12.955	(114.855)	-	-
Employee benefits liabilities paid	(75.701)	(16.348)	-	-
Net cash from operating activities	18.972.158	8.311.831	2.078.135	(7.212.953)
Cash flows from investing activities				
Payments for property, plant and equipment	(25.990)	(319.319)	-	-
Proceeds from disposals of property, plant and equipment	33.514	48.741	-	-
Payments for intangible assets	(22.178.972)	(12.177.297)	-	-
Net cash proceeds from disposal of subsidiaries	-	(160)	-	-
Acquisition of subsidiaries (net of cash acquired)	-	(3.769.958)	(10.976.454)	-
Proceeds from financial assets	-	2.320.328	-	-
Finance income received	1.143	36.096	-	-
Net cash used in investing activities	(22.170.305)	(13.861.569)	(10.976.454)	-
Cash flows from financing activities				
Payments of long term borrowings	(349.500)	(2.933.500)	-	-
Proceeds from short term borrowings	2.842.016	3.028.752	829.719	-
Proceeds in long term borrowings	8.500.000	-	8.500.500	-
Payment of short term borrowings	(8.814.178)	(6.109.024)	-	-
Finance costs paid	(679.099)	(870.492)	(272.579)	(14.173)
Net cash used in financing activities	1.499.239	(6.884.264)	9.057.640	(14.173)
Effect of exchange rates' changes on flows and cash				
Net (decrease)/increase in cash and cash equivalents	(1.698.908)	(12.434.001)	(161.453)	(467.462)
Cash and cash equivalents at beginning of year	3.708.977	16.142.978	2.131	7.696.719
Cash and cash equivalents at end of the year	2.010.069	3.708.977	0	2.131

The accompanying notes are an integral part of the financial statements (Page 10 to Page 51, Note 1 to Note 29).

InternetQ Group Ltd (hereinafter referred to as the "Company")

For the year ended 31 December 2018

(Throughout the notes to the financial statements all amounts are in Euro unless otherwise stated.)

1. Corporate information

InternetQ Group Ltd (hereinafter referred to as the "Company"), is incorporated in England and Wales. The Company's registered office is located on 14 Old Queen Street, London SW1H 9HP, United Kingdom and the Registered No. is 09798461.

InternetQ Group Ltd and its subsidiaries (hereinafter referred to as the "Group") are mainly engaged in trading and development of software and related products and services used in wireless communication and telecommunication.

1.1 Basis of preparation

(a) Basis of preparation and statement of compliance

The accompanying financial statements for both Group and Company have been prepared on a historical cost basis except for investment properties that have been measured at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in compliance with the requirements of the Companies Act 2006. Adjusted results are presented (please refer to Note 7) in the accompanying financial statements in order to improve investors' understanding of financial results and improve comparability of financial information from period to period. The Directors have assessed the ability of the Company and the Group to continue operating as a going concern and believe that the preparation of these financial statements on the going concern basis is appropriate (for further information please refer to the Strategic report on page 2).

The preparation of the financial statements, in accordance with IFRS as endorsed by the EU, requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to financial statements are disclosed in Note 5.

The financial statements are presented in Euro (€) the functional currency of the Group.

(b) Basis of Consolidation

(i) Subsidiaries

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends are eliminated in full on consolidation. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Notes to the Financial Statements (continued)

2. Basis of Preparation (continued)

(i) Subsidiaries (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(ii) Going Concern

Based on all available information about the future, the directors consider that there are no material uncertainties that may cause significant doubt about the company's ability to continue as a going concern; covering such period as they consider appropriate. Directors' expectations are based on a business plan prepared for a period of 18 months, since the review period covers a period of at least twelve months from the date of approval of annual financial statements.

The directors consider that the Group has considerable financial and other resources to manage its business risks successfully, as it has a diverse range of businesses across different geographical areas and remains financially strong. Moreover, the directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in the profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(b) Foreign currency translation:

The Company's functional currency is the British Pound, while each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. However, the consolidated and separate financial statements are presented in Euro.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

(c) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from services

Revenues of the Group mainly consist of telecommunications traffic that is generated from the end users/ subscribers. Revenues are recognized at the time such services are provided to subscribers or customers, based on the activity and the flow of premium rate telephone minutes and SMS messages.

Mobile marketing campaigns (Minimob)

Minimob is an alternative delivery platform to Mobidialog that also runs mobile marketing campaigns. Minimob differs in that there is no aggregator relationship, rather IQ has the direct relationship with the company (advertiser or other business) that wishes to activate a campaign. The campaigns run through Minimob are also used by a broader customer base as opposed to Mobidialog which is constrained to MNO's.

An advertiser or other business contacts IQ in order to place an ad through IQ's subscriber network. The advertiser proposes a budget and signs a purchase order, on a performance basis. IQ then take that order and match the ad with the in-app subscriber base through the Minimob software platform with the aim of maximizing the conversion rate of the advertisement. The more conversions generated, the more revenues earned as IQ is paid on a per conversion (or click through) basis, up to the pre-agreed budget cap. Once the budget is exhausted, the advertiser may decide to run additional campaigns. In line with the contractual arrangements the service has been delivered and revenue earned each time a subscriber responds to the campaign. Revenue is therefore recognized at this time.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

Music streaming - Akazoo

This revenue is recognized gross as Akazoo is acting as the principal based on the indicators set out in IAS 18. The involvement of other parties (such as MNOs) is just to facilitate customer acquisition or payment. IQ is responsible for the delivery of the end product and the customer believes they are contracting with Akazoo.

Revenues are accrued based on the download or subscription volume monitored by the Akazoo platform. (i.e. Revenue is recorded before the deduction of revenue share payments to network operators).

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(e) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost of the property, plant and equipment includes the purchase price of the asset and all necessary expenditures to prepare the asset for its intended use. Repair and maintenance costs are recognized in the income statement as incurred. Significant improvements are capitalized to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- | | |
|---------------------------------|---|
| • Leasehold improvements | Amortised on a straight-line basis over the period of the lease |
| • Network and computer hardware | 3- 5 years |
| • Transportation assets | 7 years |
| • Furniture and other equipment | 5 years |

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

Subsequent development expenditure is capitalized as an intangible asset where it represents a 'substantial improvement' of the existing software assets, in the context of paragraph 8 of IAS 38 'Intangible Assets' and all the criteria specified by paragraph 57 of IAS 38 for capitalization have been met.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the income statement as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognised.

Development costs

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

Purchased and internally generated software

Intangible assets include both purchased and internally generated software and various licenses of minor value. Intangible assets acquired separately are measured on initial recognition at cost. Internally generated software includes costs such as payroll, materials and services received and any other expenditure directly incurred in developing computer software and applications in order to bring the software and applications into their intended use. Amortisation of internally generated software is included in the income statement under cost of sales

Amortisation

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Purchased software: 3- 8 years
- Internally generated software: 3- 5 years
- Patents and trademarks: 15 years
- Customer relationships: 8 -15 years
- Non-compete agreement: 1 -5 years

(j) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

Subsequent measurement- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and financial guarantee contracts.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

Subsequent measurement - Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

(k) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year

Impairment losses of continuing operations are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired

(l) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts excluding restricted cash.

(m) Share capital

Share capital represents the par value of the Company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognized as the "share premium" in shareholders' equity. Incremental external costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity, net of tax.

4. Changes in accounting policies and disclosures

New and amended standards and interpretations

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 9 Financial Instruments
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IAS 32 (amended) Financial Instruments: presentation
- IAS 39 (amended) Financial Instruments: recognition and measurement

Notes to the Financial Statements (continued)

5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Accounting for the Group reorganization

The accounting for this transaction involved significant management judgement in selecting an appropriate accounting policy to apply. Further details are given, as described, in note 2(b)(i).

Internally generated software

Development costs relating to internally generated software are capitalized in accordance with the accounting policy in Note 3(i). Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. In estimating the fair value of these assets the Group engages third party qualified valuers to perform the valuations. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the intangible assets acquired in business combinations are disclosed in note 14 "Intangible assets".

Provision for income taxes and unaudited tax years

Uncertainties exist with respect to certain interpretation of the tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile. As a result of the above the Group has established provisions for unaudited tax years, the carrying amount of which as at 31 December 2018 is €40,000 (2017: €165,000).

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The deferred tax assets recognized on losses carried forward amounting to €8,854 (2017: €8,854) and refer to certain affiliates of the Company, for which sufficient taxable profits are anticipated in order for this asset to be recovered. If these affiliates do not generate future profits, the deferred income tax asset will have to be written off as income tax expense.

$$f_{k+1} = \frac{1}{2} \left(f_k + \frac{1}{f_k} \right) \quad \text{for } k = 1, 2, 3, \dots$$
[illegible]

On the other hand, the Group has tax losses carried forward of €8.319.844 (2017: €7.215.116) for which no deferred tax asset has been recognized due to the uncertainty of future taxable profits occurring given the current facts and circumstances. Further details are given in Note 10.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of trade and other receivables

The Group's management periodically reassesses the adequacy of the allowance for doubtful receivables in conjunction with its credit policy and taking into consideration reports from its legal advisors, which are prepared following the processing of historical data and recent developments of the cases they are handling. Moreover, the Group determines if there is any objective evidence of impairment of receivable amounts by considering factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The carrying amount of the Group's trade and other receivables as at 31 December 2018 and 2017 is disclosed in Notes 16 and 17.

Impairment of Goodwill

Determining whether Goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculations requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. For further information related to impairment of Goodwill please refer to Note 13.

5. *Staphylococcus aureus*

(1) Standards adopted in the year

During the year, the Group and Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- **IFRS 9 - Financial Instruments effective for accounting period commencing on or after 1 January 2018.**

The Group and Company adopted IFRS 9 from 1 January 2018 with retrospective effect in accordance with the transitional provisions.

IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue.

The Group and Company's principal financial assets are cash and cash equivalents and receivables.

The Group and Company has assessed the impact of IFRS 9 on the impairment of its financial assets, including the trade receivables balance. The Group revised its impairment methodology to the simplified approach of the expected credit loss model based on default rate percentage of similar product type assets (provision matrix) and

Notes to the Financial Statements (continued)

6. Standards (continued)

grouped the trade receivables based on shared characteristics, including line of business, and days past due. Based on the Group and Company's historical credit loss experience the adoption of IFRS 9 causes no material impact on the financial statements, so the prior year financial statements have not been restated.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- *IFRS 15 - Revenue from contracts with customers which were effective for accounting periods commencing on 1 January 2018.*

The Group has adopted IFRS 15 from 1 January 2018 which has resulted in changes in accounting policies but not to any adjustments to the amounts recognised in the financial statements.

IFRS 15 is a prescriptive standard which requires a business to identify the performance obligations which are contracted with its customer base. The transaction price of the contract is determined after which the transaction price is allocated against the identified performance obligations. Revenue is recognised against each of the performance obligations as they are satisfied and as control is transferred. The Group evaluated the revenue recognition policy in place against the requirement of the standard and determined that there is no material impact on the adoption of IFRS 15.

There have been no other standards adopted that have had a material impact on the financial statements and no standards adopted in advance of their implementation date.

(ii) Standards, amendments and interpretations issued but not yet effective

- *IFRS 16- Leases*

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the Group's operating leases and is effective for the next accounting period. As at the reporting date, the Group has non-cancellable operating lease commitments of €656,036 as disclosed in note 26. Under IFRS 16, the obligations to pay the future leases rentals over the outlined expected lease term will be recognised as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset also being recognised in the statement of financial position. Whilst there will be a material change in gross assets and liabilities, as a result of recognising the leases as right-of-use assets and liabilities, for the change in accounting policy, it is not anticipated that there will be a material impact on net assets. Additionally, whilst the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is not expected to have a material impact on the reported result in the statement.

The Group and Company will adopt the standard in the financial year ending 31 December 2019.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU. There are no other standards issued not yet effective that will have a material effect on the financial statements.

Notes to the Financial Statements (continued)

7. EBITDA and Adjusted Results

EBITDA is defined by adding back to (or subtracting from) profit after tax, income tax, finance costs, finance income and depreciation & amortisation expenses.

The table below presents a reconciliation from (Loss)/Profit after income tax to EBITDA:

	Group	
	2018	2017
(Loss)/Profit after income tax	(2,549,113)	(2,057,738)
Income tax	(2,232,003)	661,259
Finance costs	6,941,813	8,591,447
Finance income	(994,030)	(907,487)
Depreciation and amortisation	17,064,961	14,401,820
EBITDA	18,231,628	20,689,301

Adjusted results, which are non-GAAP financial measures, are presented in the accompanying financial statements in order to improve investors understanding of financial results and improve comparability of financial information from period to period.

The table below presents the adjusted amounts to the Group's financial results for the year ended 31 December 2018 and 2017:

	Group	
	2018	2017
Employees share incentive plan expense	-	-
Non-executive directors share based payments	-	-
Acquisition costs from business combinations	-	-
Gains from disposal of investments	(6,050)	-
Adjustments to EBITDA	(6,050)	-
Amortisation of assets identified in business combinations	1,150,349	1,150,349
Adjustments to operating profit	1,144,299	1,150,349
Gain from disposal of financial asset	-	838,964
Unwinding of loan notes discount	5,134,124	4,753,356
Deferred tax income on amortisation of the assets identified in business combinations	(352,555)	(352,555)
Adjustments to profit after income tax	5,925,868	6,643,247

Reconciliation of the adjusted results for the year ended 31 December 2018.

Group	2018		
	Income Statement	Adjustments	Adjusted results
EBITDA	18,231,628	(6,050)	18,225,578
Operating profit/(loss)	1,166,667	1,144,299	2,310,966
Profit/(Loss) after tax	(2,549,113)	5,925,868	3,376,755

Notes to the Financial Statements (continued)

EBITDA and Adjusted Results (continued)

Reconciliation of the adjusted results for the year ended 31 December 2017:

Group	2017		
	Income Statement	Adjustments	Adjusted results
EBITDA	20,689,301	-	20,689,301
Operating profit	6,287,481	1,150,349	7,437,830
Profit after tax	(2,057,738)	6,643,247	4,585,509

Geographic Information

The Company being only the holding company of the Group has no operations in the country of domicile.

	Group	
	2018	2017
Europe	76,003,941	55,703,250
Latin America	22,638,078	23,945,304
Middle East and Africa	24,053,983	14,009,015
Asia	51,560,269	70,779,643
Total revenues	174,256,271	164,437,213

Reconciliation of Profit/(Loss)

(Loss)/Profit for the year has been arrived at after charging/(crediting) the following:

	Group		Company	
	2018	2017	2018	2017
Net foreign exchange (gains)/losses	(177,669)	1,063,830	133,644	(9,822)
Depreciation of property plant and equipment	573,677	561,982	-	-
Loss/(Gain) on disposal of property, plant and equipment	(3,038)	4,281	-	-
Amortisation of intangible assets	16,491,284	13,839,838	-	-
Decrease in fair value of investment property	(6,000)	19,800	-	-
Payroll and related costs	4,324,801	4,971,719	72,097	70,064
Development costs capitalised	(1,136,390)	(1,558,904)	-	-
Impairment loss recognised on trade and other receivables	126,727	200,134	-	-
(Gain)/loss on disposal of investments	-	(660,240)	-	-
Operating lease rentals	497,623	624,341	-	-
Income from investment property	(10,800)	(10,800)	-	-
Total	20,680,215	19,309,114	205,741	60,242

Financial statements for the year ended 31 December 2018

is (loss)/profit for the year (continued)

Payroll and related costs in the accompanying income statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Wages and salaries	3,510,561	4,215,035	72,097	70,064
Social security costs	513,642	624,858	-	-
Staff retirement indemnities	65,928	34,947	-	-
Other staff costs	234,671	96,880	-	-
Total	4,324,801	4,971,719	72,097	70,064
Less: Amounts capitalised	(1,151,225)	(1,075,254)	-	-
Total	3,173,576	3,896,466	72,097	70,064

The Group's number of employees as at 31 December 2018 amounted to 119 (2017: 149). The number of employees were made up as follows:

	Group	
	2018	2017
Administration	31	35
International Operations	51	64
IT and software development	37	50
Total	119	149

The remuneration of the auditors included in the in the accompanying income statements is analyzed as follows:

	Group	
	2018	2017
Fees payable to the Company's auditor for the audit of the Company's annual accounts:	18,000	85,748
Fees payable to the Company's auditor for other services:	11,250	-
Fees payable to the Other group auditors for the audit of the Company's subsidiaries:	209,868	198,433
Total	239,118	284,181

9. Finance (costs)/income

Finance (costs)/income in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Interest on short term borrowings (Note 21)	(492,400)	(287,813)	(15,296)	-
Interest on long term borrowings (Note 21)	(244,896)	(84,469)	(234,575)	-
Revaluation of financial assets	-	(253,133)	-	-
Loss on disposal of financial asset	-	(838,964)	-	-
Exchange differences	(815,218)	(1,935,220)	(133,644)	-
Other finance costs	(255,175)	(438,492)	(22,708)	(14,173)
Unwinding of loan notes discount	(5,134,124)	(4,753,356)	(5,134,124)	(4,753,356)
Total finance (costs)	(6,941,813)	(8,591,447)	(5,540,346)	(4,767,529)
Interest earned	1,143	36,097	-	-
Dividend Income	-	-	16,628,050	-
Exchange differences	992,887	871,390	-	9,822
Total finance income	994,030	907,487	16,628,050	9,822
Total finance (costs), net	(5,947,783)	(7,683,960)	11,087,704	(4,757,707)

As at 31 December 2018, the Company has no deferred tax assets or liabilities.

There are no deferred tax assets or liabilities.

The amounts of income taxes which are reflected in the accompanying income statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Current income taxes - UK	-	-	-	-
Current income taxes - Overseas	876	13,346	-	-
Deferred tax	(2,232,879)	647,913	-	-
Total (credit)/charge for income taxes	(2,232,003)	661,259	-	-

The reconciliation of income taxes reflected in the income statements and the amount of income taxes determined by the application of the Company's statutory tax rate to pretax income is summarized as follows:

	Group		Company	
	2018	2017	2018	2017
(Loss)/(Profit) before income taxes	(4,781,116)	(1,396,479)	11,010,592	(4,837,482)
Income tax calculated at the nominal applicable rate (20%) (2017: 20%)	(956,223)	(279,296)	2,202,118	(967,496)
Effect of income/loss subject to different tax rates	(1,704,844)	(1,363,942)	-	-
Tax effect on non-tax deductible expenses and non-taxable income	1,950,672	1,852,543	(2,202,118)	967,496
Tax effect on tax losses for which no deferred tax was recognised	413,775	451,954	-	-
Adjustment to tax charge in respect of prior years	10,348	-	-	-
Total (credit)/charge for income taxes	(2,232,003)	661,259	-	-

Current income tax

The Company is obliged to file its tax returns in accordance with the applicable tax law in England and Wales. No income tax is payable by the Company on the net income deriving from subsidiaries with foreign operations. The Group's subsidiaries file their tax returns in the countries in which they are established and/or operate.

Deferred tax

The movement of the deferred tax assets and liabilities, net is as follows:

	Group		Company	
	2018	2017	2018	2017
Opening balance	(2,554,098)	(1,891,200)	-	-
Net liabilities disposed from sale of subsidiaries	-	(14,985)	-	-
Charge for the year	2,232,879	(647,913)	-	-
Closing balance	(321,219)	(2,554,098)	-	-

Notes to the Financial Statements for the year ended 31 December 2018

29. Deferred tax assets and liabilities

The detailed movement in deferred tax assets and liabilities of the Group during the year ended 31 December 2018 is as follows:

	1 January 2018	Credit/(debit) to statement of income	Disposals of subsidiaries	31 December 2018
Deferred tax assets				
Accrued expenses	64,860	(12,436)		52,423
Tax losses carried forward	8,854	-		8,854
Provision for doubtful receivables	90,700	(6,777)		83,923
Total	164,414	1,926,517	-	2,090,931
Deferred tax liabilities				
Deferred costs	-	(1,786)	-	(1,786)
Accrued income	(56,209)	(8,020)	-	(64,229)
Capitalisation of internally generated software		(36,387)	-	(36,387)
Intangible assets recognised from acquisition	(1,421,123)	352,555	-	(1,068,568)
Utilised capital allowances on tax incentive plans	(1,241,180)	-	-	(1,241,180)
Total	(2,718,512)	306,362	-	(2,412,150)
Deferred tax asset/(liability) net	(2,554,098)	2,232,679	-	(321,219)
Reflected in the statement of financial position as follows:				
Deferred tax assets	138,357			825,354
Deferred tax liabilities	(2,692,455)			(1,146,573)
Deferred tax	(2,554,098)			(321,219)

The deferred tax assets recognized over tax losses carried forward, refers to one company of the Group for which sufficient taxable profits are anticipated in order for these assets to be recovered. On the other hand, the Group has tax losses carried forward of €8,319,844 (2017: €7,215,116); however, no deferred tax is recognized due to the uncertainty of future taxable profits occurring given the current facts and circumstances.

11. Property, plant and equipment

Property, plant and equipment of the Group is analyzed as follows:

	Leasehold improvements	Furniture and other equipment	Transportation assets	Network equipment and computer hardware	Total
Cost					
At 1 January 2017	861.881	1.043.370	315.192	4.076.556	6.296.999
Additions	27.000	20.425	40.580	674.314	762.319
Disposals from sale of subsidiaries	-	-	-	(1.003.955)	(1.003.955)
Disposals/ write offs	-	(5.493)	(54.418)	(10.474)	(70.385)
At 31 December 2017	888.881	1.058.302	301.354	3.736.441	5.984.978
Additions	-	8.059	13.000	4.931	25.990
Disposals from sale of subsidiaries	-	-	-	-	-
Disposals/ write offs	(4.435)	-	(65.163)	(1.792)	(71.390)
At 31 December 2018	884.446	1.066.361	249.191	3.739.580	5.939.578
Depreciation					
At 1 January 2017	(471.166)	(772.213)	(127.121)	(2.859.815)	(4.230.315)
Depreciation expense	(76.890)	(55.063)	(37.942)	(392.087)	(561.982)
Disposals from sale of subsidiaries	-	-	-	996.083	996.083
Disposals/ write offs	-	461	7.196	9.706	17.363
At 31 December 2017	(548.056)	(826.815)	(157.867)	(2.246.113)	(3.778.851)
Depreciation expense	(51.553)	(50.933)	(34.723)	(436.468)	(573.677)
Disposals from sale of subsidiaries	-	-	-	-	-
Disposals/ write offs	933	-	38.469	1.512	40.914
At 31 December 2018	(598.676)	(877.748)	(154.121)	(2.681.069)	(4.311.614)
Net book value at 1 January 2017	390.715	271.157	188.071	1.216.741	2.066.684
Net book value at 31 December 2017	340.825	231.487	143.487	1.490.328	2.206.127
Net book value at 31 December 2018	285.770	188.613	95.070	1.058.511	1.627.964

There is no property, plant and equipment that has been pledged as security against loans and borrowings.

12. Investments in subsidiaries

The movement of the Company's investment is analyzed as follows:

	Company 2018	2017
Opening balance	91.848.162	91.848.162
Additions (Akazoo Ltd)	10.976.454	-
Closing balance	102.824.615	91.848.162

InternetQ Group Ltd acquired all the shares of the former InternetQ Plc entity (renamed InternetQ Ltd after delisting in 2016, renamed to Minimob Ltd in 2017). The total number of shares in issue of InternetQ Plc as at date of delisting were 40.390.238 shares, which were valued at 1.80 GBP (91.8mll Euro equivalent on delisting date) as per the Cash Offer document. On 21 December 2018 Minimob Ltd transferred its shareholding of 2.780.661 Ordinary A Shares of 1 pence each in Akazoo Ltd to the Company.

Notes to the Financial Statements (continued)

12. Investments in subsidiaries (continued)

The Company's directly & indirectly wholly owned subsidiaries as at 31 December 2018 & 31 December 2017 are listed below:

Entity	Country of incorporation	Date of incorporation	Ownership Interest	
			2018	2017
InternetQ Plc (renamed to InternetQ Ltd in 2016, renamed to Minimob Ltd in 2017)	UK	October 2010	100%	100%
InternetQ Telecommunication and Internet services S.A	Greece	March 2000	100%	100%
Acalendra Enterprises Limited	Cyprus	April 2007	100%	100%
InternetQ Poland SPzoo	Poland	January 2009	100%	100%
Escape Mobile Dialogue LTD	Greece	September 2010	99.70%	99.70%
InternetQ Southeast Asia PTE LTD (renamed to Minimob Pte Ltd)	Singapore	June 2011	100%	100%
Mobile Entertainment Solutions LTD	UK	March 2012	100%	100%
InternetQ Hong Kong Co LTD(renamed to Adspin Technology Solutions Limited)	Hong Kong	October 2012	100%	100%
InternetQ Germany GmbH	Germany	August 1995	100%	100%
Mobile Works Latam LLC	Delaware USA	March 2012	100%	100%
Mobile Works Belize LLC	Belize	March 2012	100%	100%
Interacel Holdings LLC*	Delaware USA	July 2006	-	100%
Up Mobile Holdings INC	Panama	April 2014	100%	100%
Up Mobile Services BVI	BVI	April 2012	100%	100%
Minimob (CY) Ltd	Cyprus	April 2015	100%	100%
InternetQ Investments Ltd	Cyprus	September 2015	100%	100%
Akazoo Ltd	UK	June 2008	67,73%	67,73%
Akazoo S.A	Greece	May 2015	67,73%	67,73%
Akazoo (CY) Ltd	Cyprus	April 2015	67,73%	67,73%
Akazoo DWC	UAE	August 2015	67,73%	67,73%
Akazoo SPzoo	Poland	June 2015	67,73%	67,73%
Akazoo Music Ltd Ghana	Ghana	August 2016	67,73%	67,73%
Akazon Cameroon	Cameroon	January 2017	67,73%	67,73%
Akazoo Ltd	Mauritius	November 2016	67,73%	67,73%
Akazoo Ukraine LLC	Ukraine	July 2016	67,73%	67,73%
Polyphonic Human Media Interface S.L	Spain	July 2006	67,73%	67,73%
Music Intelligence Solutions Inc.	USA	October 2005	67,73%	67,73%
R&R Music Ukraine	Ukraine	June 2008	67,73%	67,73%

*Subsidiary cancelled on 13/06/2018

InternetQ Group Limited has provided statutory guarantees to Minimob Limited in accordance with Section 479C of the Companies Act 2006.

Minimob Limited is exempt from audit by virtue of Section 479A of the Companies Act 2006.

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13. Goodwill

The movement of Goodwill is analyzed as follows:

	Group	
	2018	2017
Closing balance	20.668.153	20.668.153

Impairment testing of goodwill

Goodwill is reviewed for impairment at each year end. We allocate goodwill to our operating segments. These are the lowest level within the Group at which the management monitors goodwill for internal purposes. Management monitors the business in two distinct operating segments namely Akazoo and Non-Akazoo. The aggregate carrying amount of goodwill is allocated to the Non-Akazoo operating segment.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Management determines the recoverable amount of Group's CGUs, by using value in use calculations. The key assumptions for these calculations relate to discount rates, growth rates and expected gross margins. Management has estimated the discount rate using the Group's weighted average cost of capital ('WACC'). The estimates of gross margins are based on past experience and the management's expectations of future changes in the market.

Subsequent to sale of the Akazoo segment in 2019, moving forward the group will review its impairment based on Non Akazoo Revenues only.

The cash flow projections are based on financial budgets covering a five-year period derived from the Group's most recent financial and strategic plans approved by management, and extrapolate cash flows beyond this period using estimated growth rates. The annual growth rates applied is 6% to cash flows in the five year financial and strategic planning period. The pre-tax WACC applied to cash flow projections is 11,5% (2017: 12%) and the average gross profit margin applied in Non-Akazoo operations is 20%.

The assumptions used to determine value in use for these CGUs are as follows:

	Adjusted discount rate		Short term growth rates (CAGR)		Long term growth rates (CAGR)	
	2018	2017	2018	2017	2018	2017
Non-Akazoo operations	11,5%	12%	6%	13%	6%	13%

As a result of this test, the Group has not recognised any impairment charge against goodwill.

12. Intangible Assets

12. Intangible Assets

Intangible assets in the accompanying financial statements of the Group are analysed as follows:

	Licenses and patterns	Purchased Software	Internally generated software	Software under development	Customers relationships	Total
Cost						
At 1 January 2017	1.510.162	63.573.830	16.279.705	5.162.074	2.921.500	89.447.271
Additions	576.000	17.315.374	1.445.146	494.777	-	19.831.297
Disposals from sale of subsidiaries	-	(100.745)	-	(118.380)	-	(219.125)
Transfers	(230.000)	4.991.428	598.585	(5.590.015)	-	(230.002)
At 31 December 2017	1.856.162	85.779.887	18.323.436	(51.544)	2.921.500	108.829.441
Additions	-	16.989.440	1.095.855	4.530.259	-	22.615.554
Transfers	-	-	(286.440)	286.440	-	-
At 31 December 2018	1.856.162	102.769.326	19.132.852	4.765.156	2.921.500	131.444.995
Amortisation						
At 1 January 2017	(508.890)	(28.314.262)	(8.239.520)	-	(1.052.249)	(38.114.921)
Amortisation	(115.735)	(11.765.831)	(1.657.630)	-	(300.642)	(13.839.838)
Disposals from sale of subsidiaries	-	41.487	-	-	-	41.487
At 31 December 2017	(624.625)	(40.038.606)	(9.897.150)	-	(1.352.891)	(51.913.272)
Amortisation	(147.055)	(13.683.415)	(2.360.170)	-	(300.642)	(16.491.284)
At 31 December 2018	(771.680)	(53.722.023)	(12.257.319)	-	(1.653.534)	(68.404.557)
Net book value at 1 January 2017	1.001.272	35.259.568	8.040.185	5.162.074	1.869.251	51.332.350
Net book value at 31 December 2017	1.231.537	45.741.281	8.426.286	(51.544)	1.568.609	56.916.169
Net book value at 31 December 2018	1.084.482	49.047.304	6.875.533	4.765.156	1.267.966	63.040.438

For the year ended 31 December 2018, total capital expenditure amounted to €22.6 million (2017: €19.8 million) and relates mainly to the development of the Minimob platform (€11.2 million) and the Akazoo music platform (€11.4 million).

Customer relationships and non-compete agreements

Customer relationships refer to the intangible assets recognized separately from the acquisition of InternetQ Germany GmbH. The relative amortisation of these assets commenced on the respective acquisition date.

13. Non-current Financial Assets

Non-current financial assets for the years ended 31 December 2018 and 2017 are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Long term loans and receivables				
Receivable from sale of subsidiaries	109.627	109.627	-	-
Non-current financial assets	109.627	109.627	-	-

The receivable from the sale of subsidiaries refers to the sale of subsidiaries that took place in November 2016.

Note 9 to the Financial Statements – Trade receivables

Trade receivables

Trade receivables in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Domestic and foreign customers	64.766.499	62.901.286	-	-
Less: Allowance for doubtful accounts receivable	(344.800)	(297.603)	-	-
Closing balance	64.421.699	62.603.683	-	-

Prepayments and other receivables

Prepayments and other receivables in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Other tax advances	262.907	284.091	-	-
Advances to service providers	1.673.562	1.898.621	-	-
Prepaid expenses	163.608	286.920	-	-
Accrued income	1.041.321	4.519.600	-	-
Amounts due from related parties	-	-	27.264.137	12.899.032
Other debtors	156.960	174.411	-	-
	3.298.358	7.163.641	27.264.137	12.899.032
Less: Allowance for doubtful accounts receivable	(1.616.599)	(1.581.124)	-	-
Total	1.681.759	5.582.517	27.264.137	12.899.032

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Cash on hand	232.712	232.895	-	-
Cash at banks	1.777.357	3.476.082	-	2.131
Total cash and cash equivalents	2.010.068	3.708.977	-	2.131
Restricted cash	-	-	-	-
Total cash and cash equivalents and restricted cash	2.010.068	3.708.977	-	2.131

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended 31 December 2018 amounted to €1.133 (2017: €3.539) for the Group, and is included in financial income (note 9) in the accompanying income statement.

There are no funds deposited as collateral for the issuance of bank guarantees arising in the ordinary course of the business.

Notes to the Financial Statements (continued)

24. Equity and debt

Ownership structure of InternetQ Plc as at 31 March 2016, date of delisting was as follows:

	No of shares	% holding
Pitragon Investments Ltd	18,508,750	45.82%
Tosca Mid Cap	860,607	2.13%
Tosca Opportunity	2,186,111	5.41%
The Pegasus Fund Limited	264,552	0.66%
Others	18,570,218	45.98%
Total	40,390,238	100.00%

Following the delisting of InternetQ Plc, the Company became the legal parent of Minimob Ltd (formerly InternetQ Plc, named InternetQ Ltd after delisting). The purchase of all the shares of InternetQ Ltd occurred via cash settlement, issue of shares and loan notes within the newly created entity, InternetQ Group Ltd (see note 22).

Between 23 March and 31 May 2016, a total of 7,645,600 ordinary shares were issued in InternetQ Group Ltd to the four shareholders at a nominal value of 0.01 GBP.

The ownership structure of InternetQ Group Ltd after delisting of InternetQ Plc was as follows:

	No of A Ordinary shares	No of B Ordinary shares	Total	Voting rights
Pitragon Investments Ltd	3,331,575		3,331,575	43.57%
Tosca Opportunity		2,810,194	2,810,194	36.76%
Tosca Mid Cap		1,158,769	1,158,769	15.16%
The Pegasus Fund Limited		345,062	345,062	4.51%
Total	3,331,575	4,314,025	7,645,600	100.00%

The Company's ownership structure as at 31 December 2018 is set out below:

	No of A Ordinary shares	No of B Ordinary shares	Total	Voting rights
Pitragon Investments Ltd	4,314,025		4,314,025	50.00%
Tosca Opportunity		2,810,194	2,810,194	32.57%
Tosca Mid Cap		1,158,769	1,158,769	13.43%
The Pegasus Fund Limited		345,062	345,062	4.00%
Total	4,314,025	4,314,025	8,628,050	100.00%

InternetQ Group Ltd (formerly InternetQ Plc) is a public company.

23. Equity analysis (continued)

The Company's equity analysis as at 31 December 2018 is set out below:

	No of shares	Share capital €	Share premium €	Merger relief reserve €	Common control merger reserve €	Total €
At 1 January 2017	8.628.050	108.055	1.163.455	9.533.962	34.203.776	45.009.247
Recognition of loan notes at inception at FV					84.030	84.030
Derivative financial liability					(4.867.137)	(4.867.137)
At 31 December 2017	8.628.050	108.055	1.163.455	9.533.962	29.420.669	40.226.141
Derivative financial liability decrease					211.049	211.049
Unwinding of loan notes discount					(5.305.180)	(5.305.180)
At 31 December 2018	8.628.050	108.055	1.163.455	9.533.962	24.326.538	35.132.010

Merger relief reserve

In line with the requirements of s612 of Companies Act 2006, the merger relief reserve of €9,533,962 reflects the premium on the 7,645,600 ordinary shares issued in the creation of InternetQ Group Ltd following the delisting of InternetQ Plc.

Common control merger reserve

As explained in note 2(b)(i), following the delisting of InternetQ Ltd (former InternetQ Plc, renamed Minimob Ltd in 2017), InternetQ Group Ltd became the legal parent of InternetQ Ltd. Having applied reverse acquisition accounting, this resulted in a common control merger reserve of €4,813,904 (debit) in the Group and €34,203,776 (credit) in the Company.

The reserve represents the following items:

- a) the difference between the share capital and share premium of InternetQ Ltd and the consideration of 1.80 GBP per share of InternetQ Ltd (Group Impact only)
- b) the recognition of a derivative financial liability related to the loan notes as described in note 23 (Group and Company)
- c) the recognition of interest free shareholders' loan notes at fair value on inception as described in note 22 (Group and Company)

Notes to the consolidated financial statements for the year ended 31 December 2018

26. Non-controlling interest

The non-controlling interest relates to the acquisition of R&R Music Ltd (subsequently renamed to Akazoo Ltd) during 2015, as set out in note 12. The principal place of business is the United Kingdom and the non-controlling interest is 32.27% (2016: 32.27%) of the share capital and voting rights.

In addition, at the time of the acquisition, InternetQ Greece had granted an option to a director of Akazoo Ltd to acquire from InternetQ Greece 57,480 ordinary shares, representing 1.4% of the issued share capital of Akazoo Ltd. This option was exercised on 22 December 2016, thereby reducing InternetQ Greece's stake in Akazoo Ltd to 67.73% (2,780,661 shares).

On 21 December 2018 Minimob Ltd transferred its shareholding of 2,780,661 Ordinary A Shares of 1 pence each in Akazoo Ltd to the Company.

	Group	
	2018	2017
Opening balance	24,543,458	22,533,212
Profit for the year allocated to non-controlling interest	1,570,954	2,010,247
	26,114,412	24,543,458

The Group owns 67.73% (2017: 67.73%) equity shares of Akazoo Ltd. Therefore, the Group has control over Akazoo Ltd and Akazoo Ltd is consolidated in these financial statements.

27. Long-term loans and finance costs

a) Long-term loans:

Long-term loans in the accompanying financial statements are analyzed as follows:

	Group	
	2018	2017
Long-term loans	8,625,500	475,000
Less: current portion	(125,000)	(375,000)
	8,500,500	100,000

The Group has entered into the following loan facilities:

- In December 2013 the Group entered into a loan agreement for a principal amount of €4,000,000 which bears interest at three-months Euribor plus a margin of 5.5%. The repayment of the loan is in thirty-two quarterly instalments. The first instalment was paid in March 2014 while the last instalment was paid in April 2018.
- In March 2014 the Group entered into a loan agreement for a principal amount of €500,000 which bears interest at 6.35%. The repayment of the loan is in twenty quarterly instalments. The first instalment was paid in March 2015 while the last instalment will be paid by December 2019.
- In March 2018 the Group entered into a new credit facility agreement for the amount of €10,000,000. The facility may be utilized as an overdraft bearing an interest of 3.15% p.a., as a money market loan bearing an interest of Euribor plus 2.7% p.a., for guarantees and for import letters of credit. This credit facility has a term until 26.02.2020.
As of 31 December 2018 the balance of the money market loan was €8,500,500.

The total interest expense for long-term borrowings for the year ended 31 December 2018 amounted to €244,896 (2017: €€84,469) for the Group and is included in financial expenses (note 9), in the accompanying consolidated income statement.

Notes to the Financial Statements (continued)

1. Interest bearing loans and borrowings (continued)

b) Short-term loans:

The Group has short-term borrowings (overdraft facilities) with annual variable interest rates which vary from 5% to 8%.

The table below presents the available credit lines of the Company together with the utilized portion:

	Group	
	2018	2017
Credit lines available:	4,511,797	13,250,000
Less: unused portion	(669,781)	(3,435,822)
Used portion	3,842,016	9,814,178
Less: unamortised issue costs	-	-
	3,842,016	9,814,178

- In May 2015 the Group entered into a revolving credit facility of up to the principal amount of €15,000,000 which bears an interest of 3.167%. As of 31 December 2017 the balance was €3,900,000 bearing an interest of 2.629% and was fully settled in April 2018.
- In March 2018 the Group entered into a new credit facility agreement for the amount of €10,000,000. The facility may be utilized as an overdraft bearing an interest of 3.15% p.a., as a money market loan bearing an interest of Euribor plus 2.7% p.a., for guarantees and for Import letters of credit. This credit facility has a term until 26.02.2020. As of 31 December 2018 the available overdraft portion of the facility was €1,499,500 and the used portion by the Group was €829,719.
- In August 2018 the Akazoo Ltd issued Convertible Loan Notes 2020 for a principal amount of €2,012,298. As of 31 December 2018 the financial liability/ borrowing was €2,316,665.

The following that were pledged as collateral for the revolving credit facility were freed in April 2018:

- Share pledge from InternetQ Plc over the shares in InternetQ Telecommunications and Internet Services S.A
- Share pledge from InternetQ Telecommunications and Internet Services S.A over the shares in MDI Mobile Dialogue International Limited.
- Share pledge from InternetQ Plc over the shares in Mobile Works Latam LLC.
- Share pledge from Mobile Works Latam LLC over the shares in Interacel Holdings LLC.
- Share charge from InternetQ Plc over the shares in InternetQ South East Asia PTE LTD.
- Share charge from InternetQ South East Asia PTE LTD over the shares in InternetQ Hong Hong LTD.
- Security deed from InternetQ South East Asia PTE LTD, securing amongst other assets, the IP, namely, Minimob, Badabee and MobiDialogue platforms.

The total interest expense for short-term borrowings for the year ended 31 December 2018 amounted to €492,400 (2017: €287,813) and is included in financial expenses (Note 9), in the accompanying income statements.

Notes to the Financial Statements for the year ended 31 December 2018

22. Other non-current financial liabilities

	Group		Company	
	2018	2017	2018	2017
Long-term shareholders loan notes	61.497.047	56.883.518	61.497.047	56.883.518
	61.497.047	56.883.518	61.497.047	56.883.518

The loan notes do not carry an interest charge and are due for repayment in 2023. They have been recognized on inception at their fair value of €54.079.305 in accordance with IAS 39. As the loan notes were part of the re-organization of the Group, the difference between this fair value and the principal repayment amount of €90.696.407 (77.652.450 GBP) has been recognized within the common control reserve as described in Note 19. In subsequent years, the value of the loan will increase until it matches the principal repayment amount at the loan notes' redemption date in 2023.

23. Derivative financial liability

The loan notes (note 22) issued during the year carry certain clauses which could require early repayment. In accordance with IAS 39, this has resulted in a derivative financial liability which has been valued using a discounted cash flow model at 31 December 2018. The key inputs are the discount rate and probability of the clauses resulting in early repayment occurring.

24. Trade payables

Trade accounts payable in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Payables to suppliers	20.928.359	21.120.509	59.099	62.931
	20.928.359	21.120.509	59.099	62.931

25. Other current liabilities

Accrued and other current liabilities in the accompanying financial statements are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Value added tax	96.841	40.673	-	-
Social security payable	115.876	131.847	-	-
Other taxes and duties	56.415	73.425	-	-
Accrued expenses	1.055.521	1.822.795	33.654	3.878
Accrued interest	304.367	4.557	-	-
Deferred income	1.784	153.464	-	-
Other current liabilities	882.095	719.841	-	-
	2.512.899	2.946.602	33.654	3.878

20. Related parties and transactions with related parties

20.1. Related parties

Related parties consist of companies that have a significant influence or control over the Group (shareholders) or are companies which are owned by the Group's shareholders. All transactions between the Group and its subsidiaries, which are related parties, are carried out at arm's-length and have been eliminated in the consolidated financial statements and are not disclosed in this note. The Company's transactions and account balances with related companies are as follows:

Related party	Related with InternetQ Group Ltd	Year ended	Amounts due from Related Parties	Amounts due to Related Parties
Minimob Ltd	Subsidiary	2017	12.899.032	-
		2018	27.264.137	-
Total		2017	12.899.032	-
Total		2018	27.264.137	-

Terms and conditions with transactions with related parties:

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at the years ended 31 December 2018 and 2017 are unsecured, interest free (except for the intercompany loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables and payables.

Salaries, fees, share based payments and share incentive plans (excluding non-cash benefits) for the members of the Board of Directors and the senior management of the Group and the Company for the years ended 31 December 2018 and 2017 are analyzed as follows:

	Group		Company	
	2018	2017	2018	2017
Salaries and fees for executive members of the BOD	385.560	392.016	-	-
Salaries and fees for Non-Executive members of the BOD	111.990	104.284	72.097	70.064
	497.549	496.301	72.097	70.064
Salaries and fees for senior management	50.421	363.758	-	-
Total	547.970	860.059	72.097	70.064

The directors' remuneration for the years ended 31 December 2018 and 2017 are analyzed as follows:

	Group	
	2017	2017
Salaries and fees	489.310	481.967
Other benefits	8.239	14.334
Total	497.549	496.301

Remuneration of the highest paid director for the years ended 31 December 2018 and 2017 is analyzed as follows:

	Group	
	2018	2017
Salaries and fees	278.698	279.026
Other benefits	8.239	14.199
Total	286.937	293.225

Transactions with key management personnel

The Group's investment property is currently rented to the Company's CFO. The rent for 2018 amounted to €12.000 (2017: €10.800) and is based on normal market rates and conditions. The rent is payable in a monthly basis for the duration of the contract. As at 31 December 2018 and 2017 there were no amounts due to the Group.

Notes to the Financial Statement (Continued)

2.7. Commitments and contingencies

a) Contingent liabilities

The Group has no contingent liabilities as at 31 December 2018 and 31 December 2017.

b) Commitments

Operating leases

The Group has entered into commercial operating lease agreements for the lease of office spaces and cars. These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 and 31 December 2017, are as follows:

	Group	
	2018	2017
Within one year	297.757	436.588
After one year but not more than five years	363.279	1.435.659
More than five years	232.875	232.875
Total	656.036	1.469.406

Guarantees

The Group has no contingent liabilities in respect of performance bank guarantees arising in the ordinary course of business.

2.8. Financial instruments and risk management

Fair Value

The carrying amounts reflected in the accompanying statements of financial position for cash and cash equivalents, trade and other accounts receivable, prepayments, financial assets, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair value of variable rate loans and borrowings approximate the amounts appearing in the statements of financial position.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2018 and 31 December 2017, the Group categorized all financial assets and liabilities in level 3 as explained above. With the exception of contingent consideration, all other assets and liabilities are recorded at book value which approximates fair value. Contingent consideration is recorded at fair value which represents management's best estimate of the future outflow of economic benefits. With respect to the contingent consideration there is no liability.

The Group is exposed to market risk, credit risk and liquidity risk. The Group has developed a risk management process to monitor and control these risks. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to recognize potential adverse effects on the Group's financial performance.

The Board of Directors and senior management carry out the risk management function, The Group does not undertake any transactions of a speculative nature or which are unrelated to its activities.

Notes to the Financial Statements (continued)

24 Financial risk management objectives and policies (continued)

Market risk: Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise mainly the following types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits. For further information, refer to the Strategic Report.

Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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. With respect to the long-term borrowings, management monitors on a constant basis the interest rate variances and evaluates the need for assuming certain positions for the hedging of such risks.

The following table demonstrates the sensitivity of the Group's profit before tax (through the impact of the outstanding floating rate borrowings at the end of the period on profits) to reasonable changes in interest rates, with all other variables held constant.

Sensitivity analysis of Group's borrowings (short and long term) due to interest rate changes (reasonable movement of 1%).

	Group 2018		Group 2017	
Euro	1%	124.675	1%	100.642
	-1%	(124.675)	-1%	(100.642)

The positive impact of interest received from deposits is excluded from the above analysis.

Credit risk: Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at 31 December 2018 and 31 December 2017 in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying statements of financial position.

Country risk: Country risk refers to a collection of risks associated with investing in a country. These risks, amongst others, include political risk, economic risk, sovereign risk and transfer risk which is the risk of capital being locked up or frozen by government actions. Country risks can affect the business environment and consequently may adversely affect the operations, the liquidity and the value of assets in a specific country. For further information, please refer to the Strategic Report.

Considering that the Group operates in a variety of countries, it is exposed to country risks which can significantly impact the existing business and potential growth. The Group is currently focused on analyzing the possible negative effects from the adverse economic climate in Greece and Cyprus and is currently evaluating solutions for mitigating these risks.

However, up until now the Group estimates that the negative economic climate in Greece as well as in Cyprus will not significantly affect overall the Group's operations, financial position and liquidity or the Group's assets carrying values. As at 31 December 2018, revenues generated in Greece amounted to €1.4 million (2017: €0.8 million) accounting for 0,8% (2017: 0,5%) of the total revenues of the Group. Therefore, a decrease in revenues and profit margin generated in Greece would not have a significant impact on the Group's financial position and performance.

Liquidity risk: The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The Group has sufficient undrawn committed and uncommitted borrowing facilities that can be utilized to fund any potential shortfall in cash resources.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and cash equivalents and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of financial liabilities at 31 December 2018 and 2017 respectively, based on contractual undiscounted payments.

Group - 2018	On demand	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Bank debt	3.842.016	78.969	51.588	8.500.500	-	12.473.073
Trade payables	-	20.928.359	-	-	-	20.928.359
Accruals and other liabilities	304.367	2.206.748	-	-	-	2.511.115
Total	4.146.383	23.214.075	51.588	8.500.500	-	35.912.547

Group - 2017	On demand	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Bank debt	9.814.178	189.956	184.463	133.334	-	10.321.931
Trade payables	-	21.120.509	-	-	-	21.120.509
Accruals and other liabilities	4.557	2.788.581	-	-	-	2.793.138
Total	9.818.735	24.099.046	184.463	133.334	-	34.235.578

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong internal calculation credit rating and healthy capital ratios in order to support its operations and maximize shareholder value. The Group's policy is to maintain leverage targets in line with an investment grade profile. The Group monitors capital using Net Debt to EBITDA ratio and establishes the desirable ranges based on the facts and circumstances at each time.

The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	Group	
	2018	2017
Long-term borrowings (Note 21)	8.625.500	475.000
Short-term borrowings (Note 21)	3.842.016	9.814.178
Total Debt	12.467.516	10.289.178
Less: Cash and cash equivalents (Note 18)	(2.010.069)	(3.708.977)
Net debt/(funds)	10.457.447	6.580.201
EBITDA (Note 7)	18.231.628	20.689.301
Net debt/(funds) to EBITDA	0,57	0,32

29. Subsequent events

In September 2019 Akazoo completed the merger with Modern Media Acquisition Corp. raising \$55 million and started trading on Nasdaq under the ticker symbol "SONG". The shares of Akazoo were distributed to the shareholders (Tosca Funds and Panagiotis Dimitropoulos) and subsequently Panagiotis Dimitropoulos bought out Tosca Fund becoming the sole shareholder of InternetQ.

Corporate Information

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