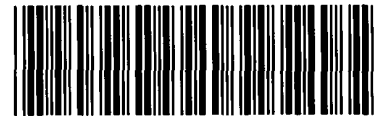


REGISTERED NUMBER: 06047620 (England and Wales)

**REPORT OF THE DIRECTOR AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
FILMON TV LIMITED**

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FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

DIRECTOR:

A A David

REGISTERED OFFICE:

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

REGISTERED NUMBER:

06047620 (England and Wales)

AUDITORS:

MHA Carpenter Box
2 Peveril Court
6-8 London Road
Crawley
West Sussex
RH10 8JE

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The director presents his strategic report of the company for the year ended 31 December 2016.

REVIEW OF BUSINESS

Financial performance and key performance indicator

The Statement of Comprehensive Income on page 8 shows a loss for the year of £2,382,855 (2015: £2,049,669).

Revenues, the key performance indicator monitored by management, decreased to £1,999,909 in the year ended 31 December 2016 from £10,269,080 in the year ended 31 December 2015. This was mainly due to the business undertaking a process of technical changes to improve the platform and reducing significantly the marketing budget spent towards ads impressions growth, so that mainly organic traffic is used to generate a revenue through ad impressions. Overall this led to decreasing volumes of impressions billed to existing ad sales clients in the year, and moderate approach to adding new advertising partners. The impact on the overall performance was mitigated by taking steps to optimise the cost of the business operations, while prioritising the funding of upgrading and maintenance of the website and its content.

The company continued to innovate by exploring new ad placements and formats on the site to secure the increasing of more ads being served. Also in the year the company switched from using their own proprietary player to the JW Player for a better user experience.

Future Developments

As well as continuing to develop and improve our apps for devices thereby making our content more accessible, we are active in developing partnerships with mobile partners such as T-Mobile to make the platform available to a greater number of users. We develop all our applications using a related party based in the Ukraine. We are constantly looking to acquire new and valuable content and are examining the growth of the platform into specialist sports and lifestyle channels.

Going concern

The director has prepared the financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The group ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for the company's continued operations for a period of not less than one year from signing of these financial statements. However, the letter of support provided is not legally binding. Therefore, should financial support not be provided by the ultimate controlling party, the Company would have to obtain additional sources of finance.

As a result, there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it might be unable to realise its assets and discharge its liabilities in the normal course of business. However, while realising this uncertainty, on the basis of projections, the director believes that the level of financial support available from the ultimate controlling party, and the ability to obtain additional finance, will be sufficient and accordingly he considers the going concern basis of preparation to be appropriate.

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

SIGNIFICANT RISKS AND UNCERTAINTIES

Nature of operations

The company is competing in a cutting edge market which is constantly evolving. To compete in this market, it must continue to develop its bespoke entertainment platform. To ensure this happens the director continues to personally fund development until the necessary external investment is obtained.

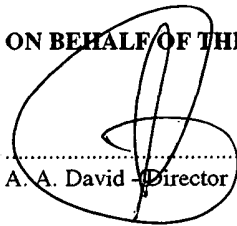
Credit risk

The company manages credit risk of debtors through a credit control process. Credit limits are agreed and closely monitored. The group's normal terms of business are assessed on a customer by customer basis with payments due within 30-90 days.

Financial risk

The company is dependent on the support of its ultimate owner (and director) being obtained. The director has given assurances that such support will continue for the foreseeable future.

ON BEHALF OF THE BOARD:



A. A. David - Director

Date: 1-16-18

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The director presents his report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of a free and subscription based ad funded online cable television platform, providing a broad menu of content and live television channels that can be streamed online over the internet and mobile devices. The company generates advertising revenue from its Free SD service (standard quality streams on TV channels and VoD titles) as well as subscription revenue to its HD service (higher quality streams) and DVR packages (recording space).

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016 (2015: £nil).

DIRECTOR

A. A. David held office during the whole of the period from 1 January 2016 to the date of this report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The director has taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

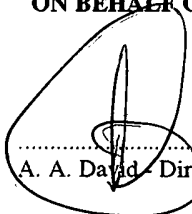
FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**DIRECTOR'S REPORT- continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

AUDITORS

MHA Carpenter Box was appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
A. A. David - Director

Date: 1-16-18

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FILMON TV LIMITED**

FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of FilmOn TV Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes. 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.

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

Respective responsibilities of director and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company's ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for the company's continued operations for a period of not less than one year from the date of signing these financial statements. Should the Company require financial support over and above that provided by the ultimate controlling party, then the Company would have to obtain additional sources of finance. However, should it be required, there is no guarantee that such additional finance could be obtained. Therefore, significant doubt about the Company's ability to continue as a going concern would be raised. These conditions along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FILMON.TV UK LIMITED – continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

The comparative figures, for the year ended 31 December 2015, were audited by another firm of auditors, who expressed an unmodified opinion with an emphasis of matter on going concern, on 16 January 2017.

MHA Carpenter Box

Tony Summers (Senior Statutory Auditor)
for and on behalf of MHA Carpenter Box
Chartered Accountants
Statutory auditor
2 Peveril Court
6-8 London Road
Crawley
RH10 8JE

Date: 20/2/18

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Revenue	2	1,999,909	10,269,080
Cost of sales		<u>(3,339,407)</u>	<u>(9,973,510)</u>
GROSS PROFIT		(1,339,498)	295,570
Administrative expenses		<u>(1,343,357)</u>	<u>(2,326,717)</u>
OPERATING LOSS	4	(2,682,855)	(2,031,147)
Other income	5	300,000	-
Finance costs	6	<u>-</u>	<u>(18,522)</u>
LOSS BEFORE INCOME TAX		(2,382,855)	(2,049,669)
Income tax	7	<u>-</u>	<u>-</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(2,382,855)</u>	<u>(2,049,669)</u>

All amounts relate to continuing operations.

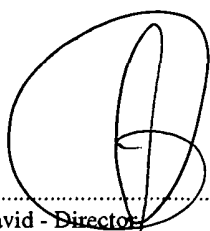
The notes on pages 12 to 25 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016**

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	135,148	217,265
Property, plant and equipment	9	<u>58,003</u>	<u>229,792</u>
		<u>193,151</u>	<u>447,057</u>
CURRENT ASSETS			
Trade and other receivables	10	4,115,498	6,352,588
Cash and cash equivalents	11	<u>245,637</u>	<u>131,844</u>
		<u>4,361,135</u>	<u>6,484,432</u>
TOTAL ASSETS		<u>4,554,286</u>	<u>6,931,489</u>
SHAREHOLDERS' DEFICIT			
Called up share capital	12	2	2
Share premium		2,446,999	2,446,999
Retained earnings		<u>(13,958,865)</u>	<u>(11,576,010)</u>
TOTAL DEFICIT		<u>(11,511,864)</u>	<u>(9,129,009)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	<u>16,066,150</u>	<u>16,060,498</u>
TOTAL LIABILITIES		<u>16,066,150</u>	<u>16,060,498</u>
TOTAL EQUITY AND LIABILITIES		<u>4,554,286</u>	<u>6,931,489</u>

The financial statements were approved by the director on 1-16-18 and were signed by:


.....
A A David - Director

The notes on pages 12 to 25 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2015	2	2,446,999	(9,526,341)	(7,079,340)
Total comprehensive loss	-	-	(2,049,669)	(2,049,669)
Balance at 31 December 2015	<u>2</u>	<u>2,446,999</u>	<u>(11,576,010)</u>	<u>(9,129,009)</u>
Total comprehensive loss	-	-	(2,382,855)	(2,382,855)
Balance at 31 December 2016	<u>2</u>	<u>2,446,999</u>	<u>(13,958,865)</u>	<u>(11,511,864)</u>

Called up share capital is the amount subscribed for shares at nominal value (note 12).

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares.

Retained earnings represent the cumulative loss of the company.

The notes on pages 12 to 25 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

		2016	2015
	Notes	£	£
Cash flows from operating activities			
Cash used in operations	19	<u>(530,443)</u>	<u>(39,835)</u>
Net cash outflow from operating activities		<u>(530,443)</u>	<u>(39,835)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(5,107)	(144,212)
Purchase of tangible fixed assets		(105,919)	(93,948)
Interest received		-	-
Net cash outflow from investing activities		<u>(111,026)</u>	<u>(238,160)</u>
Cash flows from financing activities			
Loans from directors		<u>755,262</u>	<u>261,436</u>
Net cash inflow from financing activities		<u>755,262</u>	<u>261,436</u>
(Decrease)/Increase in cash and cash equivalents		113,793	(16,559)
Cash and cash equivalents at beginning of year	20	<u>131,844</u>	<u>148,403</u>
Cash and cash equivalents at end of year	20	<u><u>245,637</u></u>	<u><u>131,844</u></u>

The notes on pages 12 to 25 form part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of preparation

The company is a private company, limited by shares, registered in England and Wales (registered number 06047620) and is domiciled in the United Kingdom.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are set out below:

Going concern

The director has prepared the financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Company's ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for the company's continued operations for a period of not less than one year from the date of signing these financial statements. Should the Company require financial support over and above that provided by the ultimate controlling party, the company would have to obtain additional sources of finance. However, should it be required, there is no guarantee that such additional finance could be obtained. Therefore, significant doubt about the Company's ability to continue as a going concern would be raised.

As a result, there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, while recognising this uncertainty, on the basis of projections, the director believes that the level of financial support available from the ultimate controlling party, or the ability to obtain additional finance, will be sufficient and accordingly he considers the going concern basis of preparation to be appropriate.

Adoption of new and revised standards and interpretations

a) Standards, amendments and interpretations effective in 2016.

The following standards and interpretations have been adopted by the group:

- Amendments to IAS 1 Disclosure Initiative – effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisations – effective for accounting periods beginning on or after 1 January 2016.
- Annual Improvements to IFRSs 2012-14 Cycle – effective for accounting periods beginning on or after 1 January 2016.

b) Standards, amendments and interpretations to existing standards that are not yet endorsed by the European Union.

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

- IFRS 15 Revenue from Contracts with Customers – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 9 Financial Instruments and subsequent amendments – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 Leases – effective for accounting periods beginning on or after 1 January 2019.
- IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – effective on or after 1 January 2018.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – effective 1 January 2017.
- Amendments to IAS 7 Disclosure Initiative – effective from 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES - continued

Although the above new standards, interpretations and amendments, which have not been adopted early, are relevant to the group it is not envisaged they will have a material effect on the group's future financial statements, with the exception of IFRS 15 Revenue from Contracts with Customers. The Directors are still assessing the impact of IFRS 15 Revenue from Contracts with Customers.

Revenue recognition

The Company has two revenue streams: Advertising-supported video streaming and subscriber-based video streaming. Revenues are derived from video advertising impressions served and monthly premium subscription packages.

The Company recognises revenues when it is realised or realisable and earned. The Company considers revenue realised or realisable and earned when all of the following criteria are met:

- (i) persuasive evidence of an arrangement exists,
- (ii) the services have been rendered to the customer,
- (iii) the sales price is fixed or determinable, and
- (iv) collectability is reasonably assured.

Advertising supported video streaming revenues, net of agency commissions, are recognised in the period during which underlying advertisements are broadcast or published.

Subscription revenues are recognised evenly over the membership period. Revenues are presented net of the taxes that are collected from members and remitted to governmental authorities. Deferred revenue consists of membership fees billed to members that have not been recognised.

Intangible assets

Where the company owns a content license it is stated at cost less any impairments identified.

Where the company has licence to exploit content for a set period of time, the licence is amortised on a straight line basis over the relevant period. The useful economic life ranges from 1 to 10 years.

Amortisation is charged to the income statement as an administrative expense.

Intangible assets are monitored for indicators of any permanent diminution in value and if noted, are impaired by the difference between their net book value and recoverable amount.

Property, plant and equipment

Tangible assets are initially recognised at cost. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 20% on cost
Computer equipment	- 33% on cost

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. They are classified as follows:

a) Loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The company's loans and receivables comprise of 'trade and other receivables'.

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

1. ACCOUNTING POLICIES - continued

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. The effect of discounting on these financial instruments is not considered material.

b) Other financial liabilities.

The company classifies its financial liabilities as trade and other payables and tax payable which are recognised initially at fair value and subsequently measured at amortised cost.

c) Share capital.

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's shares are classified as equity instruments.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is calculated on the comprehensive basis using the liability method, which requires provision for temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Tax rates enacted at the balance sheet date are used to determine the deferred tax balances. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Financial risk management objectives and policies

The objective of the company's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The company manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2016.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Depreciation and amortisation rates.

The directors have used judgement to select the rates at which categories of asset are depreciated or amortised. The rates used are designed to best reflect the underlying value of the assets over their useful lives.

b) Legal proceedings.

In accordance with IFRSs the company recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably.

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

1. ACCOUNTING POLICIES - continued

In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the company's financial position. Application of these accounting principles to legal cases requires the company's management to make determinations about various factual and legal matters beyond its control. The company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisors, experience on similar cases and any decision of the company's management as to how it will respond to the litigation, claim or assessment.

2. REVENUE

The company operates in one business segment – the provision of subscription and advertising services. The director of the company considers the business from a geographical perspective based on the location of its customers, who generate the revenue.

Subscription and advertising revenue	2016	2015
	£	£
United Kingdom	125,934	557,127
United States of America	830,749	6,541,962
Europe	809,969	2,826,389
Rest of World	233,257	343,602
Total revenue	<u>1,999,909</u>	<u>10,269,080</u>

3. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	347,983	1,107,518
Social security costs	41,536	142,710
	<u>389,519</u>	<u>1,250,228</u>

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

	2016	2015
Administration	2	2
Website development	0	3
Advertising	3	3
Technical	2	2
	<u>7</u>	<u>10</u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

3. EMPLOYEES AND DIRECTORS - continued

The director of the company considers himself and 2 employees to be the key management.

	2016	2015
	£	£
Director's remuneration	-	-
Key management remuneration	<u>26,254</u>	<u>575,262</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	2016	2015
	£	£
Depreciation - owned assets	277,708	258,024
Content licenses amortisation	87,224	136,234
Auditors' remuneration-audit services	11,000	27,020
Foreign exchange differences	21,865	46,497
Operating lease expense – computer equipment	<u>136,935</u>	<u>151,740</u>

5. OTHER INCOME

	2016	2015
	£	£
Sale of content licence	<u>300,000</u>	-
	<u>300,000</u>	-

6. FINANCE COSTS

	£	£
Loan interest – other payables	<u>-</u>	<u>18,522</u>
	<u>-</u>	<u>18,522</u>

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

7. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 nor for the year ended 31 December 2015.

Factors affecting the tax expense

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Loss on ordinary activities before income tax	<u>(2,382,855)</u>	<u>(2,049,669)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(476,571)	(415,058)
Effects of:		
Net disallowable expenditure	1,010	1,910
Depreciation in excess of capital allowances	24,259	20,756
Losses available to carry forward	451,154	386,543
Losses surrendered to fellow subsidiary	<u>148</u>	<u>5,849</u>
Tax expense	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has unused tax losses carried forward of £14,626,837 (2015: £12,371,065). The company has a potential deferred tax asset of £2,486,562 (2015: £2,226,792) in respect of these losses. This has not been recognised as there is uncertainty of the timing of future profits that will arise in future accounting periods of which these losses could be offset against.

The Finance Act 2016 which was substantively enacted on 6 September 2016 included legislation to reduce the main rate of corporation tax to 17% from 1 April 2020.

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

8. INTANGIBLE ASSETS

	Content licenses £
COST	
At 1 January 2016	682,833
Additions	<u>5,107</u>
At 31 December 2016	<u>687,940</u>
AMORTISATION	
At 1 January 2016	465,568
Amortisation for year	<u>87,224</u>
At 31 December 2016	<u>552,792</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>135,148</u></u>

	Content licenses £
COST	
At 1 January 2015	538,621
Additions	<u>144,212</u>
At 31 December 2015	<u>682,833</u>
AMORTISATION	
At 1 January 2015	329,334
Amortisation for year	<u>136,234</u>
At 31 December 2015	<u>465,568</u>
NET BOOK VALUE	
At 31 December 2015	<u><u>217,265</u></u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2016	78,865	978,668	1,057,533
Additions	<u>-</u>	<u>105,919</u>	<u>105,919</u>
At 31 December 2016	<u>78,865</u>	<u>1,084,587</u>	<u>1,163,452</u>
DEPRECIATION			
At 1 January 2016	76,459	751,282	827,741
Charge for year	<u>741</u>	<u>276,967</u>	<u>277,708</u>
At 31 December 2016	<u>77,200</u>	<u>1,028,249</u>	<u>1,105,449</u>
NET BOOK VALUE			
At 31 December 2016	<u>1,665</u>	<u>56,338</u>	<u>58,003</u>

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2015	77,652	885,933	963,585
Additions	<u>1,213</u>	<u>92,735</u>	<u>93,948</u>
At 31 December 2015	<u>78,865</u>	<u>978,668</u>	<u>1,057,533</u>
DEPRECIATION			
At 1 January 2015	75,718	493,999	569,717
Charge for year	<u>741</u>	<u>257,283</u>	<u>258,024</u>
At 31 December 2015	<u>76,459</u>	<u>751,282</u>	<u>827,741</u>
NET BOOK VALUE			
At 31 December 2015	<u>2,406</u>	<u>227,386</u>	<u>229,792</u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

10. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Current:		
Trade receivables - net	125,583	1,075,663
Amounts due from group undertakings	3,764,160	3,724,923
Other receivables	(589)	28,543
Prepayments and accrued income	226,344	768,197
Director's current accounts	-	755,262
	<u>4,115,498</u>	<u>6,352,588</u>

11. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Bank account	<u>245,637</u>	<u>131,844</u>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2016	2015
Number:	Class:	Nominal value:	£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

Ordinary shares possess full voting, dividend and capital distribution (including on winding up) rights.

13. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Current:		
Trade payables	692,761	283,011
Amounts owed to group undertakings	15,220,468	15,309,334
Social security and other taxes	3,047	291,400
Other payables	66,097	38,239
Accruals and deferred income	83,777	138,514
	<u>16,066,150</u>	<u>16,060,498</u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

14. FINANCIAL INSTRUMENTS

At 31 December 2016 the financial instruments of the company were:

	Loans & receivables	Other financial liabilities
	£	£
Financial Assets		
Trade receivables	125,583	-
Amounts due from group undertakings	3,764,160	-
Other receivables	(589)	-
Financial Liabilities		
Trade payables	-	(692,761)
Amounts owed to group undertakings	-	(15,220,468)
Other payables	-	(66,097)
	<u>3,889,154</u>	<u>(15,979,326)</u>

At 31 December 2015 the financial instruments of the company were:

	Loans & receivables	Other financial liabilities
	£	£
Financial Assets		
Trade receivables	1,075,663	-
Amounts due from group undertakings	3,724,923	-
Other receivables	28,543	-
Director's current account	755,262	-
Financial Liabilities		
Trade payables	-	(283,011)
Amounts owed to group undertakings	-	(15,309,334)
Other payables	-	(38,239)
	<u>5,584,391</u>	<u>(15,630,584)</u>

15. ULTIMATE PARENT COMPANY

The immediate parent company of which the company is a wholly owned subsidiary and into which the results of the company are consolidated is Filmon.TV UK Limited, a company incorporated in England and Wales.

The ultimate parent company is Anakando Limited, a company incorporated in St Vincent and the Grenadines.

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

16. CONTINGENT LIABILITIES

The results of complex legal proceedings are difficult to predict and the Company's view of these matters may change in the future as the litigation and events related thereto unfold. The Company expenses legal fees as incurred. The Company records a liability for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any legal matter, if material, could have an adverse effect on the Company's operations or its financial position, liquidity or results of operations. There is no contingent liability provision recorded at 31 December 2016.

17. RELATED PARTY DISCLOSURES

At the balance sheet date, as detailed in notes 10 there were no amounts due from A. A. David, the director (2015: £755,262 receivable) at the balance sheet date.

At the balance sheet date, included within amounts due from group undertakings is an amount of £3,127,913 (2015: £3,169,830) due from FilmOn.TV Inc (incorporated in Delaware, USA). During the year the company received income of £69,856 (2015: 1,085,083) on behalf of FilmOn.TV Inc and settled expenses totalling £441,713 (2015: £80,626) on their behalf. Also in 2016 FilmOn.TV Inc received income totalling £303,190 (2015: £284,253) on behalf of the company. During the year, the company settled expenses totalling £166,462 (2015: £1,581,426) on behalf of and transferred funds totalling £nil (2015: £3,677,109) to FilmOn.TV Inc.

At the balance sheet date included within the amounts due from group undertakings is an amount of £484,590 (2015: £555,093) due from FOTV Media Networks Inc. (incorporated in Delaware, USA) a company in which A. A. David has an interest. The balance comprises of various costs totalling £367,178 that the company incurred during the year on behalf of FOTV Media Networks Inc, in relation to an aborted IPO process. Also in the year an amount of £437,681 was transferred from FilmOn TV Media Networks Inc to the group in relation to funding of website development and prepaid advertising expenses.

At the balance sheet date, included within the group undertakings is an amount of £151,658 (2015: £0) due from Hologram USA Inc (incorporated in Delaware, USA), a company in which A. A. David has an interest. The balance has arisen due to cost met by the group on behalf of Hologram USA Inc during the year.

At the balance sheet date, included within amounts owed to group undertakings is an amount of £15,123,395 (2015: £15,230,843) due to Filmon.TV UK Limited. This balance has arisen due to clearance of director loan balance receivable of £748,348 (2015: £9,543,183 payable) and the company paying fees of £1,232,602 (2015: £977,340) to Filmon.TV UK Limited. Also Filmon.TV UK Limited settled various costs totalling £6,659 (2015: £267) on behalf of the company. During the year, the company settled various costs totalling £1,110,360 (2015: £1,056,931) on behalf of FilmOn.TV UK Limited. During the year, the company received funds totalling £512,000 (2015: £838,303) from and transferred funds totalling £nil (2015: £28,071) to FilmOn.TV UK Limited.

At the balance sheet date, included within amounts owed to group undertakings is an amount of £97,072 (2015: £78,490) due to FilmOn Line Marketing Limited. The payable balance has arisen due to sales invoices raised by the company on behalf to FilmOn Line Marketing Limited totalling £53,584 (2015: £125,330) and various costs totalling £35,002 (2015: 110,364) that the company met on behalf of FilmOn Line Marketing Limited during the year.

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

18. RELATED PARTY DISCLOSURES – continued

At the balance sheet date, included within other payables is an amount of £51,165 (2015: £36,585) due to Full On Entertainment Limited (incorporated in England & Wales) a company in which A. A. David had an interest. This balance has arisen due to Full On Entertainment Limited settling expenses totalling £2,627 (2015: £4,669) on behalf of the company, and the company owing funds, totalling £28,792 in relation to rent and services charges. Also during the year, the company met expenses totalling £8,746 (2015: £16,921) on behalf of Full On Entertainment Limited and transferred to them funds totalling £8,093 (2015: £11,000).

At the balance sheet date, included within other payables is an amount of £1,654 (2015: £1,654) due to 111 Pictures Limited (incorporated in England & Wales), a company in which A. A. David has an interest. This balance has arisen due to the company undertaking various transactions on behalf of the company. During the year there were no further transaction occurring between the company and 111 Pictures Limited.

18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Director of the company.

19. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Loss after income tax	(2,382,855)	(2,049,669)
Depreciation charges	277,708	258,024
Amortisation	87,224	136,234
Finance costs	-	18,522
Finance income	-	-
	<u>(2,017,923)</u>	<u>(1,636,889)</u>
Decrease (increase) in trade and other receivables	1,481,828	(542,165)
Increase in trade and other payables	<u>5,652</u>	<u>2,139,219</u>
Cash generated from operations	<u>(530,443)</u>	<u>(39,835)</u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

20. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

	2016 £	2015 £
Bank account	<u>245,637</u>	<u>131,844</u>

21. FINANCIAL RISK MANAGEMENT

The company's exposure to the variety of financial risks is as follows:

a) Market risk.

(i) Foreign exchange risk.

The company undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the company's functional currency.

(ii) Fair value interest rate risk.

The company does not have significant cash balances which expose it to movements in market interest rates. The company also has no liabilities which accrue interest at a variable rate and therefore the company has no exposure to interest rate risk on borrowings. The company has amounts due to and from related parties. The majority of these balances do not accrue interest at a variable rate.

b) Credit risk.

The company manages credit risk of debtors through a credit control process. Credit limits are agreed and closely monitored. The company's normal terms of business are assessed on a customer by customer basis with payments due within 30-90 days.

The trade receivable due after the normal credit terms can be analysed by the following aged groupings:

	2016 £	2015 £
1-30 days	2,827	228,223
31-60 days	2,566	50,627
61-90 days	1,552	37,144
Over 90 days	<u>7,657</u>	<u>67,682</u>
	<u>14,602</u>	<u>383,676</u>

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

21. FINANCIAL RISK MANAGEMENT - continued

	2016	2015
	£	£
<i>Bad debt provision:</i>		
Brought forward	168,260	34,466
Amounts (written off)/provided during the year	(165,820)	<u>133,794</u>
	<u>2,440</u>	<u>168,260</u>

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. The management raise additional capital financing when the review indicates this to be necessary

22. COMMITMENTS AND CONTINGENCIES

Operating leases - lessee

The company has entered into a number of agreements in relation to the running of its data centres. The contracts are typically for a duration of 12 to 36 months.

The total value of minimum lease payments is due as follows:

	2015	2015
	£	£
Not later than one year	15,933	85,925
Greater than one year and less than 5 years	<u>-</u>	<u>-</u>
	<u>15,933</u>	<u>85,925</u>