

GROUP STRATEGIC REPORT  
REPORT OF THE DIRECTORS AND  
AUDITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017  
FOR  
AKAZOO LIMITED

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**AKAZOO LIMITED**

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Page</b>
Company Information	1
Group Strategic Report	2
Report of the Directors	4
Statement of Directors' Responsibilities	5
Report of the Independent Auditors	6
Consolidated Statement of Profit or Loss	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Company Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Company Statement of Cash Flows	15
Notes to the Consolidated Financial Statements	16
Company Income Statement Summaries	41

**AKAZOO LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**DIRECTORS:**

A Zervos  
D G Calder  
P Dimitropoulos  
E L Nicoli

**REGISTERED OFFICE:**

2 Melville Street  
Falkirk  
FK1 1HZ

**REGISTERED NUMBER:**

SC344843 (Scotland)

**INDEPENDENT AUDITORS:**

Crowe U.K. LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**BANKERS:**

Barclays Bank  
1 Churchill Place  
London  
E14 5HP

## **AKAZOO LIMITED**

### **GROUP STRATEGIC REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **PRINCIPAL ACTIVITIES**

Akazoo offers, and develops, custom-built proprietary media technology platforms and applications and service for music and radio streaming to a global audience. Akazoo's platform is based on an industry leading sonic recommendation engine based on proprietary patented algorithmic AI technology.

Our platform offers more than 45 million tracks, a comprehensive radio service, with multiple options for streaming access on smartphones, smart TVs and personal computers. We offer local catalogues that cater to the cultural nuances of each audience territories and a variety of adaptable billing and bundling options that can drive revenue for media and technology partners and service providers.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

Akazoo operates in a fast growing and rapidly evolving marketplace. Its global user base expands across four main geographies; Europe, South East Asia, Latin America and Africa.

In July 2015, Akazoo merged with R&R Ltd. Following the merger, the enlarged company was re-named Akazoo Limited and new incorporated subsidiaries in Poland, Dubai, Cyprus and Greece assumed the technology, operations and business relationships of the music streaming service. 2016 was the first year of operation under the enlarged structure.

In 2016 Akazoo Group's ("the Group") grew by 86% continuing its excellent track record of revenue growth. Moreover, the Group secured major contracts and partnerships leading to increased penetration in existing markets as well as expansion into new territories in Africa.

In 2017 the group focused, on the one hand, to continue growing and on the other, to consolidate its gains to operationally and structurally support future high growth cycles. 2017 saw the launch of a new platform version rebuilt bottom up with cutting edge features, the launch of a sonic recommendation engine as well as that of Akazoo's radio platform. All new products or releases and its 2017 growth strongly position Akazoo from an operational and financial standpoint.

#### **KEY FUTURE DEVELOPMENTS**

Akazoo Group enters 2018 in a strong financial position and in 2018 looks to strengthen its position in its current markets both in terms of geographical market share as well as from a service and brand awareness perspective. The group is also optimistic and looks forward to building synergistic global partnership to accelerate its growth and distribution.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key business risks and uncertainties affecting the Group are competition from other music-streaming providers and economic factors that affect the Group and the markets in which the Group operates.

For further information on risks and uncertainties refer to note 2 of these consolidated financial statements.

The Group monitors operating results aiming to improve revenues, achieve operational efficiency and maintain liquidity. It also monitors the performance of its investments as well as the economic benefits that are expected to derive from the assets it develops.

**AKAZOO LIMITED**

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**KEY PERFORMANCE INDICATORS**

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's).

The key KPI's are turnover, gross profit, operating profit and net assets. The group also monitors the evolution of Receivables Days Sales Outstanding (DSO) and Payables Days Purchases Outstanding (DPO), which have evolved to the Group's favour reflecting sound working capital management. The key non-financial performance indicator is the number of subscribers, Average Revenue per subscriber and geographical market share in the countries where the Group operates.

The key performance indicators for the year ended 31 December 2017, with comparatives for 2016, are set out below:

(€'000s)	2017	2016
Turnover	90,016	68,448
Gross Profit	20,768	15,614
Operating Profit/(Loss)	6,106	5,129
Net Assets	40,845	34,930
Receivables DSO	127 days	169 days
Payables DPO	68 days	129 days

**ON BEHALF OF THE BOARD:**

  
A Zervos - Director

Date: 28-11-2018

**AKAZOO LIMITED**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2017.

**PRINCIPAL ACTIVITIES**

The principal activity of the Group is the provision of social music streaming services to mobile network operators and OEMs in Europe, Middle East, Africa and the Asia Pacific markets. The Company is active in the development of user profiling and recommendation technology for use by individuals and business based on patented algorithmic technology.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2017.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

A Zervos  
D G Calder  
P Dimitropoulos  
E L Nicoli

**SUBSEQUENT EVENTS**

There are no subsequent events to report.


**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**AUDITORS**

The auditors, Crowe U.K. LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
A Zervos - Director

Date: 28-11-2018

**AKAZOO LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**AKAZOO LIMITED**

**Opinion**

We have audited the financial statements of Akazoo Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, 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 the preparation of the financial statements 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 2017 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 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, 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.

**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.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**AKAZOO LIMITED**

**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.

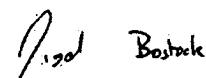
**Auditors' responsibilities for the audit of the financial statements**

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](http://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.



Mr Nigel Bostock (Senior Statutory Auditor)  
for and on behalf of Crowe U.K. LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

Date: 30 November 2018

**AKAZOO LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 €	2016 €
<b>CONTINUING OPERATIONS</b>			
Revenues		90,015,926	68,447,856
Direct cost of revenues		(69,247,601)	(52,834,271)
<b>GROSS PROFIT</b>		20,768,325	15,613,585
Other operating income	3	4,179	-
Operating expenses:		(10,644,962)	(7,486,910)
Depreciation and amortisation		(4,021,443)	(2,997,514)
<b>OPERATING PROFIT</b>		6,106,099	5,129,161
Finance costs	5	(51,391)	(352,642)
Finance income	5	171,823	15,450
<b>PROFIT BEFORE INCOME TAX</b>	6	6,226,531	4,791,969
Income tax	7	(9,098)	23,105
<b>PROFIT FOR THE YEAR</b>		<u>6,217,433</u>	<u>4,815,074</u>
Profit attributable to:			
Owners of the parent		6,216,300	4,812,424
Non-controlling interests		1,133	2,650
		<u>6,217,433</u>	<u>4,815,074</u>

The notes on pages 16 to 40 form part of these financial statements.

**AKAZOO LIMITED****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 €	2016 €
<b>PROFIT FOR THE YEAR</b>	<b>6,217,433</b>	<b>4,815,074</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Items that will not be reclassified to profit or loss:		
Income tax relating to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:		
Translation differences	-	(1,995,358)
Other reserve	(302,233)	(5,915)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>
	(302,233)	(2,001,273)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX</b>	<b><u>(302,233)</u></b>	<b><u>(2,001,273)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>5,915,200</u></b>	<b><u>2,813,801</u></b>
Total comprehensive income attributable to:		
Owners of the parent	5,914,067	2,811,151
Non-controlling interests	<u>1,133</u>	<u>2,650</u>
	<b><u>5,915,200</u></b>	<b><u>2,813,801</u></b>

The notes on pages 16 to 40 form part of these financial statements

**AKAZOO LIMITED (REGISTERED NUMBER: SC344843)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2017**

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	21,286,924	16,672,864
Property, plant and equipment	10	1,637,947	1,265,342
Trade and other receivables	12	29,827	29,245
Deferred tax	19	11,163	7,123
		<u>22,965,861</u>	<u>17,974,574</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	31,332,532	31,710,492
Tax receivable		10,010	-
Cash and cash equivalents	13	<u>2,106,543</u>	<u>6,641,558</u>
		<u>33,449,085</u>	<u>38,352,050</u>
<b>TOTAL ASSETS</b>		<u><b>56,414,946</b></u>	<u><b>56,326,624</b></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	57,516	57,516
Share premium	15	46,764,792	46,764,792
Other reserve	15	(1,412,495)	(1,110,262)
Retained earnings	15	<u>(4,555,319)</u>	<u>(10,771,619)</u>
		40,854,494	34,940,427
Non-controlling interests		<u>(9,741)</u>	<u>(10,874)</u>
<b>TOTAL EQUITY</b>		<u><b>40,844,753</b></u>	<u><b>34,929,553</b></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Pension liability	20	<u>31,357</u>	<u>25,747</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	15,538,836	21,349,413
Financial liabilities - borrowings		-	7,787
Interest bearing loans and borrowings	17	-	14,124
Tax payable		-	-
		<u>15,538,836</u>	<u>21,371,324</u>
<b>TOTAL LIABILITIES</b>		<u><b>15,570,193</b></u>	<u><b>21,397,071</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>56,414,946</b></u>	<u><b>56,326,624</b></u>

The financial statements were approved by the Board of Directors on its behalf by:

**28-11-2018**

and were signed on

  
A. Zervos - Director

The notes on pages 16 to 40 form part of these financial statements.

**AKAZOO LIMITED (REGISTERED NUMBER: SC344843)****COMPANY STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2017**

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	2,101,405	2,286,236
Property, plant and equipment	10	3,013	4,887
Investments	11	18,177,372	17,542,861
		<u>20,281,790</u>	<u>19,833,984</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	1,723,713	2,134,406
Cash and cash equivalents	13	1,579,831	4,223,892
		<u>3,303,544</u>	<u>6,358,298</u>
<b>TOTAL ASSETS</b>		<u>23,585,334</u>	<u>26,192,282</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	-57,516	-57,516
Share premium	15	46,764,792	46,764,792
Other reserve	15	(5,416,358)	(4,533,686)
Retained earnings	15	(18,004,885)	(16,583,867)
<b>TOTAL EQUITY</b>		<u>23,401,065</u>	<u>25,704,755</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	184,269	487,527
<b>TOTAL LIABILITIES</b>		<u>184,269</u>	<u>487,527</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>23,585,334</u>	<u>26,192,282</u>

The financial statements were approved by the Board of Directors on 28-11-2018 and were signed on its behalf by:

  
A. Zervos - Director

**AKAZOO LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital €	Retained earnings €	Share premium €
<b>Balance at 1 January 2016</b>	57,516	(15,584,043)	46,764,792
<b>Changes in equity</b>			
Total comprehensive income	-	4,812,424	-
<b>Balance at 31 December 2016</b>	57,516	(10,771,619)	46,764,792
<b>Changes in equity</b>			
Total comprehensive income	-	6,216,300	-
<b>Balance at 31 December 2017</b>	57,516	(4,555,319)	46,764,792

	Other reserve €	Total €	Non-controlling interests €	Total equity €
<b>Balance at 1 January 2016</b>	891,011	32,129,276	(13,524)	32,115,752
<b>Changes in equity</b>				
Total comprehensive income	(2,001,273)	2,811,151	2,650	2,813,801
<b>Balance at 31 December 2016</b>	(1,110,262)	34,940,427	(10,874)	34,929,553
<b>Changes in equity</b>				
Total comprehensive income	(302,233)	5,914,067	1,133	5,915,200
<b>Balance at 31 December 2017</b>	(1,412,495)	40,854,494	(9,741)	40,844,753

The notes on pages 16 to 40 form part of these financial statements

**AKAZOO LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital €	Retained earnings €	Share premium €	Other reserve €	Total equity €
<b>Balance at 1 January 2016</b>	57,516	(14,767,436)	46,764,792	(41,204)	32,013,668
<b>Changes in equity</b>					
Total comprehensive loss	-	(1,816,431)	-	(4,492,482)	(6,308,913)
<b>Balance at 31 December 2016</b>	57,516	(16,583,867)	46,764,792	(4,533,686)	25,704,755
<b>Changes in equity</b>					
Total comprehensive loss	-	(1,421,018)	-	(882,672)	(2,303,690)
<b>Balance at 31 December 2017</b>	57,516	(18,004,885)	46,764,792	(5,416,358)	23,401,065

The notes on pages 16 to 40 form part of these financial statements

**AKAZOO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017 €	2016 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	4,686,560	(2,933,180)
Interest paid		(2,832)	(16,839)
Finance costs paid		(48,559)	(335,803)
Tax paid		(36,805)	23,270
<b>Net cash from operating activities</b>		<u>4,598,364</u>	<u>(3,262,552)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(8,524,527)	(2,627,990)
Purchase of tangible fixed assets		(658,355)	(1,067,299)
Sale of tangible fixed assets		806	19,409
Interest received		171,823	15,450
<b>Net cash from investing activities</b>		<u>(9,010,253)</u>	<u>(3,660,430)</u>
<b>Decrease in cash and cash equivalents</b>		<u>(4,411,889)</u>	<u>(6,922,982)</u>
<b>Cash and cash equivalents at beginning of year</b>	24	6,641,558	14,135,142
Effect of foreign exchange rate changes		(123,126)	(570,602)
<b>Cash and cash equivalents at end of year</b>	24	<u>2,106,543</u>	<u>6,641,558</u>

The notes on pages 16 to 40 form part of these financial statements.



**AKAZOO LIMITED**

**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017 €	2016 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	(1,018,280)	(1,026,717)
Finance costs paid		(11,715)	(182,308)
Tax paid		<u>-</u>	<u>66,179</u>
<b>Net cash from operating activities</b>		<u>(1,029,995)</u>	<u>(1,142,846)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(300,362)	(148,568)
Purchase of tangible fixed assets		-	(3,073)
Purchase of fixed asset investments		(634,511)	(76,787)
Sale of tangible fixed assets		150	-
Loans receivable		-	(1,559,430)
Interest received		<u>157,815</u>	<u>7,857</u>
<b>Net cash from investing activities</b>		<u>(776,908)</u>	<u>(1,780,001)</u>
<b>Cash flows from financing activities</b>			
New loans in year		<u>45,514</u>	<u>-</u>
<b>Net cash from financing activities</b>		<u>45,514</u>	<u>-</u>
<b>Decrease in cash and cash equivalents</b>		<u>(1,761,389)</u>	<u>(2,922,847)</u>
<b>Cash and cash equivalents at beginning of year</b>	24	4,223,892	11,639,221
Effect of foreign exchange rate changes		<u>(882,672)</u>	<u>(4,492,482)</u>
<b>Cash and cash equivalents at end of year</b>	24	<u>1,579,831</u>	<u>4,223,892</u>

The notes on pages 16 to 40 form part of these financial statements.

## **AKAZOO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **1. STATUTORY INFORMATION**

Akazoo Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Euro (€).

#### **2. ACCOUNTING POLICIES**

##### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

##### **Basis of consolidation**

The consolidated financial statements of the Group and the Company for the year ended 31 December 2017 (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union (the "EU"). The amounts are stated in Euro unless otherwise stated. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. The financial statements have been prepared under the historical cost convention, except for derivative contracts, which have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgement are inherent in the formation of estimates in the following areas: valuation of assets and receivables, useful lives of depreciable tangible and intangible assets, estimation of retirement benefits obligation. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this note of the financial statements.

##### **Investment in Subsidiaries**

In the parent Company financial statements investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

##### **Non-controlling Interest**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

# **AKAZOO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2017**

### **2. ACCOUNTING POLICIES - continued**

#### **Presentation currency**

The Group has as its presentation currency to Euro.

All exchange rates used were extracted from the group's underlying financial records.

#### **Functional currency**

IAS 21 (foreign currency translations) describes functional currency as 'the currency of the primary economic environment in which the entity operates'. Akazoo Limited has concluded that its functional currency are in Euro, as the group main operations incur under Euro currency.

Exchange rates used for the translation to Euro for the period ending 31st December 2017:

Company	Currency	Average rate	Spot rate
Akazoo Cyprus	Euro	1.0000	1.0000
Akazoo Greece	Euro	1.0000	1.0000
Akazoo Poland	PLN	4.2570	4.1770
Akazoo Dubai	Euro	1.0000	1.0000
Akazoo Limited	GBP	0.8767	0.8872
DWL	GBP	0.8767	0.8872
PHMI	Euro	1.0000	1.0000
MIS	USD	1.1297	1.1993
R End R Ukraine	UAH	30.0192	33.7820
Akazoo Ghana	GHS	4.9691	5.4282
Akazoo Limited MU	Euro	1.0000	1.0000
Akazoo Ukraine	Euro	1.0000	1.0000
Akazoo Cameroon	USD	1.1297	1.1993

Exchange rates used for the translation to Euro for the period ending 31st December 2016:

Company	Currency	Average rate	Spot rate
Akazoo Cyprus	Euro	1.0000	1.0000
Akazoo Greece	Euro	1.0000	1.0000
Akazoo Poland	PLN	4.3632	4.4103
Akazoo Dubai	Euro	1.0000	1.0000
Akazoo Limited	GBP	0.8195	0.8562
DWL	GBP	0.8195	0.8562
PHMI	Euro	1.0000	1.0000
MIS	USD	1.1069	1.0541
R End R Ukraine	UAH	28.2801	28.6071
Akazoo Ghana	USD	1.1069	1.0541
Akazoo Limited MU	Euro	1.0000	1.0000
Akazoo Ukraine	Euro	1.0000	1.0000

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Revenue recognition**

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

**Rendering of services**

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

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

Where revenues of the Company include telecommunications traffic that is generated from the land users/subscribers, revenues are recognised 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. Where the Company acts as a principal supplier of mobile phone content, entertainment and other services, revenue is recorded before the deduction of revenue share payments to network operators. Where the Company acts as an intermediate to network operators for branded-mobile campaigns, Media companies and any other third party, revenue is recorded net of revenue share payments to network operators.

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Intangible fixed 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 capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred.

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 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 recognised in the statement of comprehensive income 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 recognised in the statement of comprehensive income when the asset is derecognised.

**Development costs**

Development expenditures on an individual project are recognised as an intangible asset when 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.

**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:

Internally generated software      -      10 years

Amortisation is charged to the statement of comprehensive income once the asset is in use.

## **AKAZOO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **2. ACCOUNTING POLICIES - continued**

##### **Property, plant and equipment**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to statement of comprehensive income during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Motor vehicles	-	25%
Fixtures and fittings	-	33%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

##### **Risks**

###### **Foreign-exchange risk**

The Group's functional currency is EUR and its exposure to FX risk relates mainly to its GBP deposits. Management monitors the fluctuation of exchange rates and makes use of the spot and forward rate market to manage the Group's FX exposure.

###### **Credit risk**

Exposure to credit risk is limited to the amount of receivables from aggregators. The Group has a clear and consistently applied credit policy and monitors the flow of receipts to ensure that all aggregator balances are moving satisfactorily.

###### **Interest-rate risk**

The Group is not exposed to interest bearing assets and liabilities.

###### **Liquidity risk**

The Group manages its liquidity by closely monitoring its cash flows and by ensuring that there are adequate funds to meet its CAPEX and working capital requirements.

##### **Taxation**

Tax is recognised in the statement of comprehensive income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 statement of financial position date in the countries where the Company operates and generates income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Foreign currencies**

The Group's consolidated financial statements are presented in euros. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**i) 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 recognised 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 recognised in OCI 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 OCI.

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 the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**ii) 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 statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

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.

**Changes in accounting policies 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

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Significant accounting policies and estimates**

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, 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.

Group management believes that judgements, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as at 31 December 2017.

Various elements of the Group's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other assessments. In particular, the Group has identified the following accounting policies which, due to the judgements, estimates and assumptions inherent in those policies, and the sensitivity of the financial statements to those judgements, estimates and assumptions, are critical to an understanding of the financial statements.

**Valuation of receivables**

Valuation of receivables is based upon ongoing assessments of the probable estimated losses inherent in the receivables portfolio. Assessments are conducted by the board employing a methodology and guidelines, which are continually monitored and improved. The primary component of this methodology comprises specific allowances and collective allowances.

A receivable is subject to impairment test when valid indications exist, at the assessment date, which demonstrate that the customer will not be able to meet his obligations and/or when the flow of receipts decelerates over time. Usually such indications include failure of communication with the customers and indications of significant financial difficulty.

Amounts individually provided for concern claims evaluated individually for impairment based upon management's best estimate of the present value of the cash flows which are expected to be received. In assessing the need for collective allowance, management considers receivables in arrears over 121 days but excludes receivables for which there are valid indications that they will be collected.

The accuracy of provisions depends on the accuracy of future cash flows for specific allowances and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgement, management believes that their provisions are reasonable and supportable.

**Net retirement benefit cost**

The net retirement benefit cost is actuarially determined using assumed discount rates and assumed rates of compensation and pension increase. The relevant underlying assumptions are proposed by reputable actuaries and whilst they involve a degree of judgement, management considers them reasonable.

**Assets impairment**

The Group reviews on an annual basis the carrying amounts of investments, tangible assets and intangible assets, in order to determine if there is an indication of impairment. If any such indication exists an impairment review is carried out in order to determine the extent of the impairment loss.

**Useful lives of depreciable tangible and intangible assets**

Group management assesses the estimated useful lives and related depreciation & amortisation charges for purchased and internally generated intangible assets and tangible assets and reviews the assessment at regular intervals. Management estimates are based on the projected operating life cycle of these assets. Such estimates are not expected to change significantly, however, management may modify depreciation and amortisation rates wherever useful lives turn out to be different than previously estimated and writes down or writes off assets.

**Open tax years**

The Group's usual operations comprise transactions and calculations in some jurisdictions where the assessment of tax is uncertain. Accordingly, the Group monitors relevant contingencies and assess whether there is a need for recognition of a relevant liability.



**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES - continued**

**Investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each statement of financial position date. Gains and losses on remeasure are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in statement of comprehensive income for the period.

**Debtors**

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

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand, short term deposits with an original maturity date of one month. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

**Financial instruments**

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below.

**Financial assets**

The company classifies all of its financial assets as loans and receivables.

**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 arise principally through the provision of goods and services to customers (e.g trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

The company classifies all of its financial liabilities at amortised cost.

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

## **AKAZOO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **2. ACCOUNTING POLICIES - continued**

##### **Impairment of non-financial assets**

The Company 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 Company 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 Group 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 Company 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 recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised 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 recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

##### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as such, consider it appropriate to prepare the financial statements on the going concern basis.

##### **Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. OTHER OPERATING INCOME**

	2017	2016
	€	€
Other income	<u>4,179</u>	<u>-</u>

**4. EMPLOYEES AND DIRECTORS**

	2017	2016
	€	€
Wages and salaries	820,209	878,554
Social security costs	<u>80,473</u>	<u>175,334</u>
	<u>900,682</u>	<u>1,053,888</u>

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

	2017	2016
Administration	6	22
Technology/Software development	<u>21</u>	<u>23</u>
	<u>27</u>	<u>45</u>

	2017	2016
	€	€
Directors' remuneration	<u>102,660</u>	<u>193,546</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. NET FINANCE INCOME**

	2017	2016
	€	€
Finance income:		
Deposit account interest	27	3,441
Other interest	1,089	30
Net foreign income:	<u>170,707</u>	<u>11,979</u>
	<u>171,823</u>	<u>15,450</u>
Finance costs:		
Bank interest	2,612	16,268
Bank loan interest	220	571
Net foreign exchange	15,350	297,834
Sundry finance expenses	17,069	20,553
Bank charges	<u>16,140</u>	<u>17,416</u>
	<u>51,391</u>	<u>352,642</u>
Net finance income	<u>120,432</u>	<u>(337,192)</u>

**6. PROFIT BEFORE INCOME TAX**

The profit before income tax is stated after charging:

	2017	2016
	€	€
Direct cost of revenues	69,247,601	52,834,271
Depreciation - owned assets	284,680	228,295
Loss on disposal of fixed assets	-	124
Patents and licences amortisation	111,066	373,719
Software development amortisation	3,625,696	2,395,501
Auditors' remuneration	84,000	82,000
Other non-audit services	<u>-</u>	<u>378</u>

**7. INCOME TAX**

**Analysis of tax expense/(income)**

	2017	2016
	€	€
Current tax:		
Tax	12,671	41,293
Tax refund	<u>-</u>	<u>(66,179)</u>
Total current tax	12,671	(24,886)
Deferred tax	<u>(3,573)</u>	<u>1,781</u>
Total tax expense/(income) in consolidated statement of profit or loss	<u>9,098</u>	<u>(23,105)</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**7. INCOME TAX - continued**

**Factors affecting the tax expense**

The tax assessed for the year is the same as (2016 - higher) the standard rate of corporation tax in the UK. The difference is explained below:

	2017 €	2016 €
Profit before income tax	<u>6,226,531</u>	<u>4,791,969</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	1,198,607	958,394
Effects of:		
Different tax rates	(1,672,869)	327,187
Reversing/originating temporary differences	(3,573)	3,337
Non tax deductible expenses and non tax deductible income	179,188	412,470
Tax losses for which no deferred tax was recognised	307,745	244,832
Foreign income not taxed	-	(1,823,800)
Tax refund	-	(66,179)
Other	-	(79,346)
Tax expense/(income)	<u>9,098</u>	<u>(23,105)</u>

**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent Company's loss for the financial year was €(1,421,018) (2016 - €(1,816,431)).

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. INTANGIBLE ASSETS**

**Group**

	Patents and licences €	Software development €	Totals €
<b>COST</b>			
At 1 January 2017	2,743,214	18,756,158	21,499,372
Additions	576,000	8,185,994	8,761,994
Disposals	(230,000)	-	(230,000)
Exchange differences	(261,619)	(80,010)	(341,629)
At 31 December 2017	<u>2,827,595</u>	<u>26,862,142</u>	<u>29,689,737</u>
<b>AMORTISATION</b>			
At 1 January 2017	1,576,661	3,249,847	4,826,508
Amortisation for year	111,066	3,625,696	3,736,762
Exchange differences	(154,685)	(5,772)	(160,457)
At 31 December 2017	<u>1,533,042</u>	<u>6,869,771</u>	<u>8,402,813</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>1,294,553</u>	<u>19,992,371</u>	<u>21,286,924</u>
At 31 December 2016	<u>1,166,553</u>	<u>15,506,311</u>	<u>16,672,864</u>

The material intangible assets of Akazoo Group of the year ended 31 December 2017, are referred to the following categories:

- Computer software (purchased)
- Software under development
- Computer software (internally generated)
- Patents

**Computer software (purchased)**

This category of intangible assets includes Akazoo Platform contribution, and software additions, of minor value, as well. At the year ended 31 December 2017 net book value was €15,946,210 and a remaining amortisation period of 2.5 years.

**Software under development**

Software under development includes developer's payroll cost, according the stage of completion on the projects they participate in. At the year ended 31 December 2017 net book value was €558,363, and nil amortisation cost as is not in used so far. Amortisation of the asset will begin when development is complete, and the asset is available for use.

**Computer software (internally generated)**

Internally generated software includes costs such as developer's payroll cost, materials and services received, as well as any other expenditure incurred in developing computer software and applications. At the year ended 31 December 2017 net book value was €2,580,826 and nil amortisation cost as is not in used so far. Amortisation of the asset will begin when development is complete, and the asset is available for use.

**Patents**

At the year ended 31 December 2017 Patents have net book value €718,553 and a remaining amortisation period of 6.5 years on average.

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. INTANGIBLE ASSETS - continued**

**Company**

	Software development €
<b>COST</b>	
At 1 January 2017	2,286,236
Additions	374,600
Exchange differences	<u>(80,010)</u>
At 31 December 2017	<u>2,580,826</u>
<b>AMORTISATION</b>	
Amortisation for year	485,193
Exchange differences	<u>(5,772)</u>
At 31 December 2017	<u>479,421</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>2,101,405</u>

**10. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	Improvements to property €	Fixtures and fittings €	Motor vehicles €	Computer equipment €	Totals €
<b>COST</b>					
At 1 January 2017	243,500	148,053	13,729	1,215,856	1,621,138
Additions	27,000	7,150	-	624,205	658,355
Disposals	-	(806)	-	-	(806)
Exchange differences	-	<u>(1,924)</u>	<u>(237)</u>	-	<u>(2,161)</u>
At 31 December 2017	<u>270,500</u>	<u>152,473</u>	<u>13,492</u>	<u>1,840,061</u>	<u>2,276,526</u>
<b>DEPRECIATION</b>					
At 1 January 2017	-	86,037	7,979	261,780	355,796
Charge for year	-	10,290	1,112	273,278	284,680
Exchange differences	-	<u>(1,654)</u>	<u>(237)</u>	<u>(6)</u>	<u>(1,897)</u>
At 31 December 2017	-	<u>94,673</u>	<u>8,854</u>	<u>535,052</u>	<u>638,579</u>
<b>NET BOOK VALUE</b>					
At 31 December 2017	<u>270,500</u>	<u>57,800</u>	<u>4,638</u>	<u>1,305,009</u>	<u>1,637,947</u>
At 31 December 2016	<u>243,500</u>	<u>62,016</u>	<u>5,750</u>	<u>954,076</u>	<u>1,265,342</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**10. PROPERTY, PLANT AND EQUIPMENT - continued**

<b>Company</b>	<b>Fixtures and fittings €</b>	<b>Motor vehicles €</b>	<b>Totals €</b>
<b>COST</b>			
At 1 January 2017	28,707	6,774	35,481
Exchange differences	(1,005)	(237)	(1,242)
At 31 December 2017	<u>27,702</u>	<u>6,537</u>	<u>34,239</u>
<b>DEPRECIATION</b>			
At 1 January 2017	23,820	6,774	30,594
Charge for year	1,723	-	1,723
Exchange differences	(854)	(237)	(1,091)
At 31 December 2017	<u>24,689</u>	<u>6,537</u>	<u>31,226</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>3,013</u>	<u>-</u>	<u>3,013</u>

**11. INVESTMENTS**

<b>Company</b>	<b>Shares in group undertakings €</b>
<b>COST</b>	
At 1 January 2017	17,542,861
Additions	1,200,000
Exchange differences	(565,489)
At 31 December 2017	<u>18,177,372</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>18,177,372</u>

The Group or the Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Subsidiaries**

**R AND R Music Ukraine**  
Registered office: Ukraine  
Nature of business: Software development

<b>Class of shares:</b>	<b>% holding</b>	<b>2017 €</b>	<b>2016 €</b>
Ordinary	80.00	6,059	15,547
		<u>(7,463)</u>	<u>2,423</u>
<b>Aggregate capital and reserves</b>			
<b>(Loss)/profit for the year</b>			



**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. INVESTMENTS - continued**

**Company**

**Polyphonic Human Media Interface S.L.**

Registered office: Spain

Nature of business: Software Development

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	3,158,978	3,136,279
Profit/(loss) for the year	<u>4,662</u>	<u>(49,231)</u>

**Music Intelligence Solutions Inc**

Registered office: United States of America

Nature of business: Patent and trademark holder

Class of shares:	%		
Class A Common \$0.01	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	718,851	936,654
Loss for the year	<u>(138,849)</u>	<u>(383,212)</u>

**Digital White Label Ltd**

Registered office: Scotland

Nature of business: Music services

Class of shares:	%		
Ordinary	holding		
	51.00		

	2017	2016
	€	€
Profit for the year	<u>25,083</u>	

**Akazoo (CY) Ltd**

Registered office: Cyprus

Nature of business: Platform holder and music streaming

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	36,820,067	32,305,762
Loss for the year	<u>(994,329)</u>	<u>(2,209,805)</u>

**Akazoo SA**

Registered office: Greece

Nature of business: support and development of Akazoo service

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	1,881,496	1,817,774
Loss for the year	<u>(174,404)</u>	<u>(29,045)</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. INVESTMENTS - continued**

**Company**

**Akazoo DWC**

Registered office: Dubai

Nature of business: development of Akazoo service

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	26,528,051	21,454,403
Profit for the year	<u>8,978,370</u>	<u>9,119,002</u>

**Akazoo Poland**

Registered office: Poland

Nature of business: development of Akazoo service

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	813,740	642,018
Profit for the year	<u>38,813</u>	<u>162,609</u>

**Akazoo Ukraine**

Registered office:

Nature of business: Software development

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	<u>10,000</u>	<u>10,000</u>

**Akazoo Mauritius**

Registered office:

Nature of business: Software development

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017	2016
	€	€
Aggregate capital and reserves	24,552	10,000
Loss for the year	<u>(23,799)</u>	<u></u>

**Akazoo Cameroon**

Registered office:

Nature of business: Software development

Class of shares:	%		
Ordinary	holding		
	100.00		

	2017
	€
Aggregate capital and reserves	2,576
Loss for the year	<u>(4,731)</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. INVESTMENTS - continued**

**Company**

**Akazoo (Ghana) Ltd**

Registered office:

Nature of business: Software development

Class of shares:	%
Ordinary	holding 100.00

	2017	2016
	€	€
Aggregate capital and reserves	28,179	26,295
Loss for the year	<u>(39,695)</u>	<u>(6,324)</u>

**12. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	€	€	€	€
<b>Current:</b>				
Trade receivables	30,172,460	30,639,472	-	-
Trade receivables-intercompany	651,095	10,000	190,282	171,173
Amounts owed by group undertakings	-	580,083	1,513,915	1,559,430
Other receivables:	231,330	21,347	1,550	-
VAT	5,064	-	9,540	14,642
Prepayments and accrued income	226,290	105,223	2,177	34,794
Prepayments/ Other assets	<u>46,293</u>	<u>354,367</u>	<u>6,249</u>	<u>354,367</u>
	<u>31,332,532</u>	<u>31,710,492</u>	<u>1,723,713</u>	<u>2,134,406</u>
<b>Non-current:</b>				
Other debtors	<u>29,827</u>	<u>29,245</u>	<u>-</u>	<u>-</u>
<b>Aggregate amounts</b>	<u>31,362,359</u>	<u>31,739,737</u>	<u>1,723,713</u>	<u>2,134,406</u>

**13. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	€	€	€	€
Cash in hand	231,171	1,346	136	375
Bank accounts	<u>1,875,372</u>	<u>6,640,212</u>	<u>1,579,695</u>	<u>4,223,517</u>
	<u>2,106,543</u>	<u>6,641,558</u>	<u>1,579,831</u>	<u>4,223,892</u>

**14. SHARE CAPITAL**

Allotted, issued and fully paid:			2017	2016
Number:	Class:	Nominal value: €	€	€
2,838,141	Ordinary A 1 p shares	1.4008817 cent	39,765	39,765
601,430	Ordinary B 1 p shares	1.4008817 cent	8,427	8,427
665,535	Ordinary C 1 p shares	1.4008817 cent	9,324	9,324
<u>4,105,106</u>			<u>57,516</u>	<u>57,516</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**15. RESERVES**

**Group**

	Retained earnings €	Share premium €	Other reserve €	Totals €
At 1 January 2017	(10,771,619)	46,764,792	(1,110,262)	34,882,911
Profit for the year	6,216,300	-	-	6,216,300
Translation reserve	-	-	-	-
Other reserve	-	-	(302,233)	(302,233)
At 31 December 2017	<u>(4,555,319)</u>	<u>46,764,792</u>	<u>(1,412,495)</u>	<u>40,796,978</u>

**Company**

	Retained earnings €	Share premium €	Other reserve €	Totals €
At 1 January 2017	(16,583,867)	46,764,792	(4,533,686)	25,647,239
Deficit for the year	(1,421,018)	-	-	(1,421,018)
Translation reserve	-	-	(882,672)	(882,672)
At 31 December 2017	<u>(18,004,885)</u>	<u>46,764,792</u>	<u>(5,416,358)</u>	<u>23,343,549</u>

**16. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	2017 €	2016 €	2017 €	2016 €
Current:				
Trade payables	14,610,452	18,531,969	49,789	67,156
Trade payables-intercompany	260,826	217,033	47,685	39,406
Social security and other taxes	36,669	16,052	11,054	9,973
Other payables	43,253	270,111	-	247,580
Accruals and deferred income	587,636	2,298,954	75,741	123,412
VAT	-	15,294	-	-
	<u>15,538,836</u>	<u>21,349,413</u>	<u>184,269</u>	<u>487,527</u>

**17. FINANCIAL LIABILITIES - BORROWINGS**

	<b>Group</b>	
	2017 €	2016 €
Current:		
Bank loans	-	7,787

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**18. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

**Group**

	Non-cancellable operating leases	
	2017	2016
	€	€
Within one year	154,073	310,289
Between one and five years	496,800	924,392
In more than five years	<u>232,875</u>	<u>232,875</u>
	<u>883,748</u>	<u>1,467,556</u>

The operating lease commitment is in relation to the rental expense incurred by the group.

**Company**

	Non-cancellable operating leases	
	2017	2016
	€	€
Within one year	13,525	94,644
Between one and five years	<u>-</u>	<u>307,592</u>
	<u>13,525</u>	<u>402,236</u>

The operating lease commitment is in relation to the rental expense incurred by the company.

**19. DEFERRED TAX**

**Group**

	2017	2016
	€	€
Balance at 1 January	(7,123)	(9,190)
Translation differences - cash valuation	<u>(4,040)</u>	<u>2,067</u>
Balance at 31 December	<u>(11,163)</u>	<u>(7,123)</u>

**20. EMPLOYEE BENEFIT OBLIGATIONS**

The amounts recognised in the statement of financial position are as follows:

	Defined benefit pension plans	
	2017	2016
	€	€
Present value of funded obligations	-	-
Fair value of plan assets	<u>-</u>	<u>-</u>
	-	-
Present value of unfunded obligations	<u>(31,357)</u>	<u>(25,747)</u>
Deficit	<u>(31,357)</u>	<u>(25,747)</u>
Net liability	<u>(31,357)</u>	<u>(25,747)</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2017	2016
	€	€
Current service cost	5,610	4,112
Net interest from net defined benefit asset/liability	-	316
Past service cost	-	-
Gains/losses on settlements and curtailments	-	3,349
	<u>5,610</u>	<u>7,777</u>
Actual return on plan assets	<u>-</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2017	2016
	€	€
Opening defined benefit obligation	25,747	15,788
Current service cost	7,595	4,112
Contributions by employer	-	(3,733)
Interest cost	335	316
Settlements	-	3,349
Remeasurements	-	-
Actuarial (gains)/losses from changes in financial assumptions	-	4,396
Obligation other remeasurement	(2,320)	1,519
	<u>31,357</u>	<u>25,747</u>

Changes in the fair value of scheme assets are as follows:

Defined benefit pension plans	
2017	2016
€	€
<u>-</u>	<u>-</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2017	2016
	€	€
Actuarial (gains)/losses from changes in financial assumptions	-	(4,396)
Obligation other remeasurement	(2,320)	(1,519)
	<u>(2,320)</u>	<u>(5,915)</u>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2017	2016
Discount rate	1.30%	1.30%
Price inflation	1.75%	1.75%
Rate of compensation increase	2.75%	2.75%
Plan duration	26.28	27.41

	2017	2016
Directors number to whom retirement benefits are accruing:	1	1

The expected contribution for the year ended 31 December 2017 is €Nil.

The maturity duration of the defined benefit obligation plan is 26.28 years.

**21. ULTIMATE PARENT AND CONTROLLING PARTY**

The ultimate parent and controlling party of the Group is InternetQ Group Limited, a company registered in UK.

Copies of the accounts are available from the registered office of the parent company.

**22. RELATED PARTY DISCLOSURES**

**Transactions with key management personnel**

**Loans to directors**

There are no loans to personnel of or directors.

**Key management personnel compensation**

Key management personnel compensation amounted to EUR 102 thousand (2016: EUR 126 thousand) and comprised mainly of salaries. There are no other significant employee benefits nor post-employment benefits.

**Key management personnel transactions**

Directors of the Company control 3.28% of the voting shares of the Company.

A number of key management personnel hold positions in other Group companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. RELATED PARTY DISCLOSURES- continued**

Transactions between the Group and related parties regarding the period from 1.1.2017 to 31.12.2017 and the respective balances as at 31.12.2016 are analyzed as follows:

Related Party	Transaction	Group 31.12.2017	Company 31.12.2017	Group 31.12.2016	Company 31.12.2016
InternetQ Greece	Sales	407,338.38	0.00	298,359.36	0.00
MDI Cyprus	Sales	9,425.00	0.00	0.00	0.00
InternetQ Poland	Sales	834,283.25	0.00	337,849.19	0.00
InternetQ Hong Kong	Sales	0.00	0.00	6,416.03	0.00
I-POP Singapore	Sales	36,585.76	0.00	65,735.14	0.00
I-POP Indonesia	Sales	5,096.97	0.00	5,179.44	0.00
I-POP Networks (Thailand)	Sales	43,158.71	0.00	48,104.94	0.00
Atlas Interactive (Germany)	Sales	20,465.64	0.00	0.00	0.00
Akazoo Cyprus	Sales	444,408.49	0.00	160,963.47	0.00
Akazoo Greece	Sales	115,164.26	0.00	80,444.47	0.00
Akazoo Poland	Sales	445,293.65	0.00	184,507.66	0.00
Akazoo Dubai	Sales	2,633,097.19	0.00	796,434.74	0.00
Music Intelligence Solutions Inc, (Delaware)	Sales	18,225.27	0.00	18,539.90	0.00
R&R Music Ltd (UK)	Sales	0.00	0.00	41,288.19	0.00
Minimob Cyprus	Sales	594.96	0.00	0.00	0.00
	Total Sales	5,013,137.53	0.00	2,043,822.53	0.00
InternetQ Greece	Costs	324,910.83	0.00	517,204.33	0.00
InternetQ Poland	Costs	158,568.70	0.00	72,125.01	0.00
MDI Cyprus	Costs	0.00	0.00	1,889.95	0.00
InternetQ SE Asia	Costs	3,925.19	0.00	3,037.91	0.00
InternetQ Hong Kong	Costs	0.00	0.00	4,418.75	0.00
I-POP Singapore	Costs	36,272.21	0.00	32,027.38	0.00
I-POP Indonesia	Costs	1,145.62	0.00	8,476.32	0.00
I-POP Networks (Thailand)	Costs	3,109.78	0.00	9,536.64	0.00
Atlas Interactive (Germany)	Costs	15,563.13	0.00	0.00	0.00
Akazoo Cyprus	Costs	3,197,515.23	0.00	1,060,696.15	0.00
Akazoo Greece	Costs	485,162.47	0.00	133,898.48	0.00
Akazoo Dubai	Costs	0.00	0.00	88,268.11	41,752.62
Polyphonic Human Media Interface S.L (Spain)	Costs	18,173.04	0.00	13,769.38	0.00
Minimob Cyprus	Costs	55,960.66	0.00	0.00	0.00
	Total Cost	4,300,306.86	0.00	1,945,348.41	41,752.62
Akazoo Cyprus	Gains FA	40,753.98	0.00	16,197.21	0.00
	Total Gains FA	40,753.98	0.00	16,197.21	0.00
InternetQ Plc	Interest Cost	0.00	0.00	24.78	0.00
Akazoo Cyprus	Interest Cost	1,719.77	0.00	40.14	0.00
Akazoo Dubai	Interest Cost	4,622.46	0.00	3705	0.00
R&R Music Ltd (UK)	Interest Cost	4,274.25	0.00	0.00	0.00
	Total Interest Cost	10,616.48	0.00	102.42	0.00
Akazoo Cyprus	Interest Income	8,449.83	4,380.13	37.5	0.00
Akazoo Greece	Interest Income	2,139.03	70.32	40.41	24.10
Akazoo Dubai	Interest Income	203.82	0.00	0.00	0.00
	Total Interest Income	10,792.68	4,450.45	77.91	24.10



**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. RELATED PARTY DISCLOSURES- continued**

Related Party	Balance	Group	Company	Group	Company
		31.12.2017	31.12.2017	31.12.2016	31.12.2016
InternetQ Greece	Trade Receivables	325,673.95	0.00	325,673.95	0.00
MDI Cyprus	Trade Receivables	0.00	0.00	8,966.71	0.00
InternetQ Poland	Trade Receivables	320,316.67	0.00	238,542.75	0.00
InternetQ Hong Kong	Trade Receivables	0.00	0.00	0.00	0.00
Atlas Interactive (Germany)	Trade Receivables	5,104.15	0.00	6,899.79	0.00
I-POP Singapore	Trade Receivables	0.00	0.00	0.00	0.00
I-POP Indonesia	Trade Receivables	0.00	0.00	0.00	0.00
I-POP Networks (Thailand)	Trade Receivables	0.00	0.00	0.00	0.00
Akazoo Cyprus	Trade Receivables	7,015,798.49	1,473,197.39	4,520,237.77	1,517,358.59
Akazoo Greece	Trade Receivables	1,318,080.93	40,718.20	1,350,844.20	42,070.83
Akazoo Poland	Trade Receivables	441,859.01	0.00	315,491.77	0.00
Akazoo Dubai	Trade Receivables	6,040,339.92	0.00	2,629,735.75	0.00
R&R Music Ltd (UK)	Trade Receivables	45,288.19	0.00	45,288.19	0.00
Polyphonic Human Media Interface S.L (Spain)	Trade Receivables	94,859.18	93,559.18	84,901.21	84,901.21
Digital White Label Limited (UK)	Trade Receivables	0.00	0.00	0.00	0.00
Music Intelligence Solutions Inc. (Delaware)	Trade Receivables	655,887.98	86,090.16	634,117.01	82,327.54
Akazoo Ghana	Trade Receivables	53,188.56	10,632.18	28,943.93	3,943.93
Akazoo Limited MU	Trade Receivables	38,351.34	0.00	-	-
	<b>Total Trade Receivables</b>	<b>16,354,748.37</b>	<b>1,704,197.11</b>	<b>10,189,643.03</b>	<b>1,730,602.10</b>
InternetQ Greece	Trade Payables	176,634.52	0.00	147,543.64	0.00
MDI Cyprus	Trade Payables	0.00	0.00	0.00	0.00
InternetQ Poland	Trade Payables	67,449.70	0.00	52,396.35	0.00
InternetQ SE Asia	Trade Payables	16,621.32	9,658.22	6,963.10	0.00
InternetQ Hong Kong	Trade Payables	0.00	0.00	0.00	0.00
I-POP Singapore	Trade Payables	0.00	0.00	0.00	0.00
I-POP Indonesia	Trade Payables	0.00	0.00	0.00	0.00
I-POP Networks (Thailand)	Trade Payables	0.00	0.00	0.00	0.00
Akazoo Cyprus	Trade Payables	7,731,517.38	0.00	4,177,417.95	0.00
Akazoo Greece	Trade Payables	721,416.59	0.00	994,587.21	0.00
Akazoo Poland	Trade Payables	406,331.45	0.00	-	-
Akazoo Dubai	Trade Payables	4,578,919.28	34,157.47	2,131,494.22	35,396.21
R&R Music Ltd (UK)	Trade Payables	1,781,656.16	0.00	1,700,685.19	0.00
Polyphonic Human Media Interface S.L (Spain)	Trade Payables	520,298.78	0.00	620,444.51	0.00
Minimob Cyprus	Trade Payables	120.21	0.00	120.21	0.00
Akazoo Limited MU	Trade Payables	10,000.00	0.00	10,000.00	0.00
Akazoo Ukraine	Trade Payables	9,869.26	3,869.26	10,009.58	4,009.58
	<b>Total Trade Payables</b>	<b>16,020,834.63</b>	<b>47,684.94</b>	<b>9,851,661.96</b>	<b>39,405.79</b>

**AKAZOO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**23. RECONCILIATION OF PROFIT/LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

**Group**

	2017	2016
	€	€
Profit before income tax	6,226,531	4,791,969
Depreciation charges	4,021,447	2,997,514
Loss on disposal of fixed assets	-	124
Provision of datacentre lease	5,356,128	3,870,000
Finance costs	51,391	352,642
Finance income	(171,823)	(15,450)
	<u>15,483,674</u>	<u>11,996,799</u>
Decrease/(increase) in trade and other receivables	377,378	(22,102,456)
(Decrease)/increase in trade and other payables	<u>(11,174,492)</u>	<u>7,172,477</u>
<b>Cash generated from operations</b>	<u><b>4,686,560</b></u>	<u><b>(2,933,180)</b></u>

**Company**

	2017	2016
	€	€
Loss before income tax	(1,421,018)	(1,882,610)
Depreciation charges	486,917	7,402
Finance costs	11,715	182,308
Finance income	<u>(157,815)</u>	<u>(7,857)</u>
	<u>(1,080,201)</u>	<u>(1,700,757)</u>
Decrease in trade and other receivables	365,179	511,546
(Decrease)/increase in trade and other payables	<u>(303,258)</u>	<u>162,494</u>
<b>Cash generated from operations</b>	<u><b>(1,018,280)</b></u>	<u><b>(1,026,717)</b></u>

**24. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	<b>Group</b>		<b>Company</b>	
<b>Year ended 31 December 2017</b>	<b>31.12.17</b>	<b>1.1.17</b>	<b>31.12.17</b>	<b>1.1.17</b>
	€	€	€	€
Cash and cash equivalents	<u>2,106,543</u>	<u>6,641,558</u>	<u>1,579,831</u>	<u>4,223,892</u>
<b>Year ended 31 December 2016</b>	<b>31.12.16</b>	<b>1.1.16</b>	<b>31.12.16</b>	<b>1.1.16</b>
	€	€	€	€
Cash and cash equivalents	<u>6,641,558</u>	<u>14,135,142</u>	<u>4,223,892</u>	<u>11,639,221</u>