05512988

internetq

Annual Report and accounts 2012

INTERNETQ PLC
Company No 5512988
St Botolph Building, 138
Houndsditch,
London EC3A 7AR,
United Kingdom
http //www internetq com

Contents

Chairman's Statement

Dear Shareholders,

This being my last statement as an executive of INTERNETQ PLC ("INTERNETQ"), I am proud to report that fiscal 2012 was a year of exceptionally strong financial performance which has been achieved by continued expansion as well as technical innovation For the third year in a row, we achieved record revenue, EBITDA and earnings per share In particular, net income for our shareholders was a record €6 million, an increase of 148% over last year, and revenue topped € 73 4 million, up 47% from last year Diluted earnings per share increased 125% to € 0 18, while adjusted for share-based acquisition costs and share-based employee compensation (as part of our long term talent retention program) EPS stood at a record € 0 23, as opposed to €0 12 the year before

Our success was driven by improved results in each of our businesses and reflects the strength of our entire portfolio Most importantly, it reflects the strength of our mission, people, technology and value system It's also the result of our long-term strategy and the significant technology investments we've made over the last several years to ensure that we continue to find new ways to monetize global mobile commerce

Over the last three years, we have built an extended network of carrier connectivities, content partners and marketing partners that provide enormous opportunities for us to continue creating high-quality experiences for mobile audiences in a growing number of emerging markets More specifically, since our IPO we have focused on three key strategic priorities that have been critical to our success a) expand of our network operations beyond Eastern Europe and into new high growth markets, b) improve our technological solutions to offer advanced mobile marketing services on smartphones, as well as the traditional SMS based campaigns and c) develop our AKAZOO offering into a fully-fledged mobile music service able to compete on a global scale I am proud to say that fiscal 2012 has been another year of great achievement for our businesses in all of these key areas

In 2012 we underwent critical management changes to ensure that the business can continue growing successfully in the longer term In April 2012 we recruited Bob Beveridge, a highly valued non-executive that has brought better balance to the board's function and more strength to its governance Moving on, in November 2012, I stepped aside from the position of Chief Executive and assumed the role of Chairman, paving the way for Panagiotis Dimitropoulos to assume his natural leadership role in the company he founded At the same time, we re-structured our organization going forward, to align our cost base with the future needs of the company and re-allocating resources to better meet the growth potential across our entire portfolio

By all accounts and any measure, 2012 was an extraordinary year for INTERNETQ Our achievements are a testament to the commitment and tireless work of our incredibly talented employees around the world Our results reflected the sound execution of our business plans, centered on global expansion and disciplined cost and asset management Among our achievements, we delivered our highest-ever sales and income, made substantial investments to expand our worldwide footprint, and continued an aggressive launch of advanced new products like the new version of AKAZOO and MiniMob, a promising new platform that delivers ongoing mobile marketing messages via push notification on the operating systems of smartphones

Despite persistent global economic concerns, longer-term trends based on population growth and rising living standards remain strong It is widely believed that smartphone penetration will continue expanding at double-digit rates over the next several years and that a growing number of products and services will be marketed over the mobile network Hence the need for high-quality, innovative mobile marketing capabilities like the ones we are continually developing To illustrate the potential force of these tailwinds, consider that while economic growth for much of the world has stalled in the last several years, the overall "mobility" has fared remarkably well Mobile network subscriptions keep rising, device proliferation is picking up pace and broadband is expanding and becoming more affordable

As a result, InternetQ remains well positioned to enjoy growing profits even in an uncertain global economy and, longer term, to benefit from broad trends and favorable industry tailwinds that we believe hold great promise for our future

On behalf of everyone at InternetQ, I thank you for your continued support and confidence You can count on the team to do its best to continue achieving fantastic results and deliver exceptional shareholder value in the future

Konstantinos Korletis,
Executive Chairman

Chief Executive Officer's Review

Introduction

I am delighted to report another strong operational performance from INTERNETQ over the last 12 months 2012 represents a year of renewed operational progress in which we remain focused on three core growth drivers

- The delivery of strong organic growth across all business units,
- Increase operational presence in Asia and Africa, further capitalizing on InternetQ's established market presence,
- Actively pursue selective bolt-on acquisitions that accelerate our technology capabilities or enhanced our geographic footprint

By focusing on these core objectives, the Group has been able to deliver such impressive results for shareholders

As CEO, my mission has been to focus on operational excellence, ensuring the business delivers sustainable revenue growth over the longer term Our strategic progress is underpinned by our internal systems, coupled with an entrepreneurial spirit that you would associate with a fasted paced technology company

Whilst we continue to invest in our mobile marketing operations, which remains a core component of INTERNETQ, our team is making substantial progress with our entertainment platform, AKAZOO Both business units are geared towards the faster growing emerging economies, where we continue to see good growth going forward Our focus on Emerging Asia is ever present, which is supported by IMF research which forecasts the region to deliver 7 7% GDP growth in 2013

Turning to our financial performance, we are delighted to report a significant increase of revenues in the period supported by an ever improving profit margin Our collective aim is to continue this positive trend going forward which we believe can be achieved by a combination of strategic sales initiatives and product development and innovation

Turning to the numbers, revenues increased 47% in 2012 to €73 4 million (2011 €50 1 million), with all business segments delivering a substantial sales growth Revenues from core Mobile Marketing activities grew by 40% to €57 5 million (2011 €41 2 million) while revenues from AKAZOO grew by 90% to €11 4 million (2011 €6 million)

The geographic diversity of our business was improved by strong growth in Asia which now comprises 36% (2011 17%) of Group revenues, and Africa, now 15% of revenues (2011 14%) Europe now represents 40% of sales, down from 61% in 2011

The focus on delivering an improved profit level has resulted in pre-tax profit and adjusted pre-tax profit increasing 112% and 106% respectively, with our EBITDA margin and adjusted EBITDA margin of 14 4% and 16 7% respectively (adjusted figure relate to share incentive plans and acquisition costs amounting to €1 7 million – Note 9), our best performance to date

In summary, our business momentum remains very strong and the Group is well placed to continue to generate sustainable profit growth for our shareholders

Divisional overview

Our business operates three distinct but interconnecting spheres– mobile marketing, premium digital entertainment and smartphone app advertising InternetQ has evolved tremendously since its initial listing, anticipating the market direction and particularly, the overwhelming uptake for smartphones

In short, InternetQ provides large-scale mobile, social and app-driven marketing solutions that effectively leverage the massive global adoption of connected devices

MobıDıalog

InternetQ's proven mobıle marketıng platform produced another strong performance durıng 2012 Over the last 12 months, the platform delıvered over 36 campaıgns, workıng alongsıde over 150 mobıle network operators and medıa companıes alıke Our abılıty to rapıdly ımplement targeted, ınteractıve and measurable campaıgns contınues to fuel thıs busıness, presentıng a compellıng and truly mass market platform Our web based ınterface enables all our campaıgns to be accessed, managed and maıntaıned ın real tıme

MobıDıalog remaıns a core feature of our busıness and ıts abılıty to delıver profıtable campaıgns for our customers throughout the duratıon of the campaıgn means ıt contınues to appeal to marketıng departments and fınance team alıke

AKAZOO

INTERNETQ's premıum dıgıtal mobıle content hub contınues to gaın market share ın what ıs a hıghly ınteractıve and socıally developed envıronment At present, Akazoo (accessıble vıa Web & Mobıle Apps) focuses on delıverıng localızed musıc content to subscrıbers located across 22 dıfferent countrıes, an ıncrease of 8 countrıes compared to 2011 Durıng the last 12 months, Akazoo added 1 4 mıllıon subscrıbers of whıch 0 2 mıllıon were payıng for premıum subscrıptıon services at an average monthly revenue rate per subscrıber €1 83 The AKAZOO servıce contınues to grow ın popularıty, wıth Asıa a key regıon of growth

Gıven the heıghtened popularıty for onlıne musıc servıces, AKAZOO contınues to thrıve as demand for local content alongsıde more maınstream tastes contınues to drıve subscrıber growth In addıtıon, the servıces mobıle payment functıon ıs underpınnıng our early success ın key emergıng terrıtorıes of South East Asıa and Afrıca where credıt card payment are unpopular and mobıle commerce ıs more wıdespread

AKAZOO ıs a key technology ınıtıatıve for the Group and remaıns crucıal as we develop new servıces aımed at the next generatıon of tablet and smart phone devıces Mobıle commerce ıs very much entertaınment based and thıs offerıng ıs specıally taılored for that audıence

Mınımob

InternetQ recently launched a value-added smartphone 'push notıfıcatıon' platform ın February 2013, whıch facılıtates commercıal opportunıtıes for App developers and publıshers personalızed promotıons The Company's strategıc aım ıs to ensure InternetQ ıs ımmersed ın the app space, alıgnıng ourselves wıth software developers

The platform enables App developers to maxımıse the success of theır Apps, by allowıng them to quıckly set up promotıonal campaıgns and buıld a communıcatıon strategy, thereby extendıng the lıfe and value of the App MınıMob com ıs an ındustry fırst as ıt ıs the only completely free servıce to offer unlımıted messagıng to an ınfınıte number of App end users, wıth no thırd party advertısements

Mınımob solves multıple systemıc ıssues that are holdıng back the success of tradıtıonal mobıle advertısıng networks, allowıng for opt-ın promotıon campaıgns that keep Apps 'alıve' on handsets and generate sıgnıfıcant operatıonal co-effıcıencıes Monetızatıon of Mınımob occurs as a percentage of the revenue that App developers and publıshers gaın from the personalızed campaıgns

Industry dynamıcs

In terms of the broader world economy, the emergıng economıes are stıll outpacıng the more establıshed economıes of Europe and North Amerıca The IMF global economıc outlook noted through 2013, that World output (ın GDP terms) should hıt an ımprovıng 4 1 percent however 'Emergıng Asıa' wıll show the growth at a healthy 7 7 percent INTERNETQ contınues to focus on the Asıan markets where ıt already has buılt up a solıd platform for growth and sees sıgnıfıcant potentıal for expansıon

The global mobile outlook continues to remain strong Estimates are already pointing to 4 6 billion active users across approximately 9 1 billion connections by 2015 (including a broadband base of 3 2 billion) InternetQ already has direct access to 2 4 billion subscribers and growing fast

The outlook for Smartphone global penetration rates continues to accelerate InternetQ has primarily focused on Android, which now has 75% of all smartphones being released globally It should be also noted that, for example, in countries like Singapore and Indonesia, smartphone sales have now reached 85% and 62% respectively of all mobile devices purchased These remain key geographies for our business

Outlook

The last 12 months has seen a strong financial performance delivered by the Group with the Board noting that this trend has continued into the first quarter of 2013 Whilst our core mobile marketing initiatives continue to underpin this performance, we do see a greater level of importance coming from our AKAZOO platform as we roll out the service internationally The increase in smart phone penetration globally will drive this growth where we have made significant investment in the platform

We continue to invest in market leading technology, as clearly demonstrated by the launch of our 'Minimob' app product, which continues to receive favorable market feedback from industry experts Our stated growth strategy is clear and we will continue to evaluate target bolt-on acquisitions that accelerate the Group's customer and geographical reach

2013 has started strongly and our new business pipeline remains strong Therefore, the Board remains confident that trading will continue to develop in line with market expectations

Panagiotis Dimitropoulos
CEO & Founder

Chief Financial Officer's Review

For the Financial Year 2012, INTERNETQ has comprehensively delivered its best ever performance in terms of revenues and profits

The Company's performance, and collective ability to deal with the challenging operational environment during the past year is not only a result of strong operational execution but can also be attributed to our strategic approach to managing costs, cash flow and our balance sheet

During 2012 we focused on the strict control of the Group's operational expenses Our aim in the past year has been to reduce or eliminate all non-essential or embedded costs and to cut back on less profitable projects Secondly, we have taken measures to reduce working capital needs and improve cash conversion

Group revenues in 2012 amounted to €73 4 million representing 47% growth compared to previous year (2011 €50 1 million), with all segments delivering substantial sales growth Revenues from Mobile Marketing activities grew by 40% to €57 5 million (2011 € 41 2 million) while revenues from AKAZOO grew by 90% to € 11 4 million (2011 € 6 million)

Administration costs increased by 21% compared to the previous year, primarily due to the share incentive plan granted to employees and to the share based payments related to the acquisition of I-POP EBITDA grew by 64% to €10 6 million (2011 €6 5 million), a margin of 14 4% (2011 12 9%) Adjusted EBITDA grew by 66% to €12 2 million (2011 €7 4 million) a margin of 16 7% (2011 14 7%) Profit after income tax for the year reached €6 million compared to €2 4 million for 2011 Adjusted Profit after Income tax for the year reached €7 7 million compared to €3 3 million for 2011 (adjusted figures relate to share incentive plans and acquisition costs amounting to €1 7 million – Note 9)

Investment in AKAZOO and Mini Mob platforms resulted in an increase in capital expenditure Total capital expenditure including intangibles for the year ended 31 December 2012 stood at €7 9 million, an increase of 44% from the previous year (2011 € 5 5 million)

The Group ended 2012 with €7 1 million net cash (2011 €8 2 million), which consisted of €9 3 million (2011 €10 6 million) cash and cash equivalents and restricted cash and €2 2 million (2011 €2 4 million) bank debt The terms and conditions of the Group's borrowing agreements continue to be relatively favourable Our €0 5 million bond loan arrangement matures in April 2013 and another €0 34 million term loan matures in March 2014

INTERNETQ is entering 2013 in a stronger financial position than the one we found ourselves at the beginning of 2012 having delivered financial results beyond expectations A significant proportion of this success can be attributed to our dedicated efforts to balance strict cost control with selective investment, to reduce working capital needs and increase cash conversion, and to reinforce the Group's financial position

We have positioned the Group more strongly from an operational, as well as from a financial, standpoint, and we will continue to capitalize on this position going forward

Veronica Nocetti
Chief Financial Officer

Directors and Executive Management

Konstantinos Korletis, Executive Chairman

Konstantinos Korletis joined the Group as a non-executive in 2008 and assumed his current role in November 2012 after resigning from his role of Group CEO He holds a BSc in Marketing and an MBA from the New York University Stern School of Business Lead positions included Vice President of Citigroup's Corporate Finance Division in Greece, Chief Financial Officer at AGP, a major industrial group, and General Manager of Liberis Media, the leading consumer magazine publisher and radio operator in Greece Konstantinos has managed companies with numbers of employees ranging from 500 to 2,000 and turnover from 75 million Euros to 250 million Euros Furthermore, he has worked in public companies and has managed several M&A transactions, capital raising initiatives such as IPO's, delistings and business and operational re-organisations

Panagiotis Dimitropoulos, CEO & Founder

Panagiotis Dimitropoulos is an international entrepreneur and a well-respected expert in the mobile valued-added services (MVAS) industry He founded INTERNETQ in 2000 and has grown the business to become one of the leading providers of mobile marketing and digital entertainment solutions globally, listed on the London Stock Exchange's AIM Under his guidance the company has expanded its mobile services and global footprint to emerging markets including Asia and Latin America Prior to founding InternetQ, he worked for 10 years in the banking sector and has authored a book on financial derivatives He studied Law at Athens University and holds an MBA from the Athens Laboratory of Business He assumed the role of CEO in November 2012

Veronica Nocetti, Chief Financial Officer

Veronica Nocetti joined the Group as Chief Financial Officer in August 2010 She has a degree in Economics from North Carolina State University and a Masters in International Management from Thunderbird A G S I M She has extensive international experience in project financing and international development, having worked in Sudan, the Middle East, Malaysia, Romania and Greece Prior to joining the Group she worked for four years in Sudan as Chief Finance Officer of the Real Estate Division of the largest conglomerate in the country Her managerial experience also includes five years in a senior role in a FTSE-40 listed company in Greece

Michael Jolliffe, Non-Executive Director

Michael Jolliffe is Deputy Chairman of Tsakos Energy Navigation SA, a shipping company which owns 51 tankers and is quoted on the New York Stock Exchange He is also Chairman of StealthGas Inc, a shipping company with a fleet of 46 LPG and product tankers quoted on the Nasdaq National Market In addition, he is a Chairman of Wigham-Richardson Shipbrokers Ltd, one of the oldest established shipbroking companies in the City of London, and of Shipping Spares Repairs and Supplies Ltd, an agency company based in Piraeus, Greece Furthermore, he is the Joint President and Deputy Chairman of Hanjin Eurobulk Ltd, a joint venture between Hanjin Shipping Co Ltd of Seoul, Korea and Wigham-Richardson Shipbrokers Ltd Michael Jolliffe is also Chief Executive Officer of Titans Maritime Ltd , a newly established shipping company in the process of purchasing modern but second-- hand container and dry bulk ships Michael Jolliffe is the Chairman of Papua Mining Ltd, a company with gold and copper prospects in Papua New Guinea

Iain Johnston, Non-Executive Director

Iain Johnston is a Non-Executive Chairman of Event Marketing Solutions Ltd, a fast-growth experiential marketing business, Non-Executive Director of Active Risk Group Plc, and CEO of The Hideaways Club Previously, he was CEO of the Loewy Group, and Managing Director of customer database management start-up GB Information Management, from its foundation in 1990 to its listed status in 1998 Formerly a board member of the Direct Marketing Association, Iain has been a non-executive for a number of fast-growth marketing and technology businesses, including Alterian Plc where he was Deputy Chairman

Robert Beveridge, Non-Executive Director

Bob Beveridge joined the InternetQ Board in April 2012 He is a Chartered Accountant and has extensive and relevant financial experience Since 1998 he has been finance director of three technology companies Cable & Wireless Communications plc, Fast Search & Transfer Ltd, now a Microsoft subsidiary, and Marlborough Stirling plc, which provided information technology to the financial services industry Most recently he was finance director and company secretary of McBride plc, a European manufacturer of household products He is a Non-Executive director and chair of the audit committee at Hampshire Hospitals NHS Foundation Trust, a not for profit public corporation He has previously held senior roles in Mars Inc and United Biscuits plc

Executive Management

Panagiotis Dimitropoulos, CEO & Founder

The biography of Panagiotis Dimitropoulos is presented on page 8

Konstantinos Korletis, Executive Chairman

The biography of Konstantinos Korletis is presented on page 8

Veronica Nocetti, Chief Financial Officer

The biography of Veronica Nocetti is presented on page 8

Konstantinos Papoutsis, Chief Commercial Officer

Kostas Papoutsis joined in 2009 He holds a degree in Electrical & Computer Engineering (AUTH) and an MBA (KUL/UCI - USA) Prior to joining the company, he was the Vice President of Mobile Marketing at Velti, where he was acknowledged as an industry innovator in mobile marketing campaigns Previous positions include senior roles at BT, Vodafone, Vizzavi, and General Motors

Michalis Zervakis, Vice President, Technology Infrastructure

Michalis Zervakis has been active with the Group since 2002 and he is the chief architect of the IT infrastructure that hosts over 500 services and supports global operations, managing server rooms in three different countries He is a graduate of Athens University in Business & Economics

Apostolos N Zervos, Vice President, Business Development AKAZOO

Apostolos N Zervos joined INTERNETQ in 2010 He is responsible for strategy development, service design and operations of the Group's AKAZOO entertainment service offering He holds a degree in Philosophy & Economics from Yale University Prior to joining, he was at Velti plc, where he served as a Corporate Program Manager for Product & Solution Marketing and as a Senior Manager of Innovation He has held other senior management positions at Ellemedia Technologies, Lucent Technologies, Bell labs as well as Algosystems

Directors' Report

INTERNETQ PLC Registered company number 5512988

Activities

The Group offers mobile marketing solutions and digital entertainment that enables brands, mobile network operators and media companies to design and implement targeted, interactive and measurable campaigns by engaging with and entertaining mobile network subscribers via their mobile devices

Business Review

For the operating and financial review of the business during the year please refer to the Chief Executive Officer's Review on pages 4 to 6 and Chief Financial Officer's Review on page 7 included within the Annual Report For future developments please refer to the outlook section on the Chief Executive Officer's review on page 6

Financial

The Group's results reflect a robust performance in a challenging market Revenues were €73 4 million for the year, an increase of €23 4 million, or 47% on last year The results for the year are presented in the financial statements at the end of this Annual Report For further information about financial performance please refer to the CFO review included in the annual report

Dividend policy

At present, the Directors consider that it is appropriate to retain cash to fund the expansion of the Group and as a result, feel it is inappropriate to give an indication of the likely level or timing of any future dividend payout

Research and development

The Group continues to invest in market leading technology and on product innovation, as we develop new services aimed to meet the specialiced needs of our customers and to cope with market trends The Group's research and development activities rely on internal investment and on the adoption of stringent software engeenaring practices in order to maximise and ensure the high quality, effectiveness and usuability of applications developed INTERNETQ has developed platforms that enable its clients to run multiple large scale promotional campaigns that can elevate market profiles Additionally INTERNETQ's music platform enables operators and brands to offer rich mobile conetent engagement The Group's latest development Minimob provides a full suite of messaging and content delivery tools, including Push notifications Rich media messaging and Subscriptions allowing the Group's customers to maximise the success of their applications

Supplier Policy of the Company

Company Creditors relate mainly to costs associated with being listed in the London Stock Exchange's AIM Due to the nature and relative immaterial payable amounts, the Company does not have a supplier payment policy Average creditors days for the year ended 31 December 2012 is 124 days (2011 54 days)

Employee Involvement

The Group operates an environment which encourages that the working place is a learning setting We value transparent and open communication and support the advancement and sharing of information related to economic, human and financial matters affecting performance through the Group's electronic workspace The workspace is also a location where employees are encouraged to share their suggestions, views, or ideas across the entire organization The transparent and open flow of ideas is further maintained through regular work group meetings held between management where they are encouraged to ask questions and feel part of the strategy of the Group

Equal employment opportunity

INTERNETQ is committed to the creation of a work environment in which fairness, trust and individual responsibility are cherished We believe that talented and dedicated employees are our most valuable asset and that everyone should be given an equal opportunity to succeed

The Company is committed to equal opportunity in employment and to creating, managing and valuing diversity in its workforce The Company does not unlawfully discriminate with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship on the basis of race, color, national origin, religion, sex, age, sexual orientation, marital status, physical or mental disability

Environment

The Group is cognisant of its carbon footprint and is committed to the planet that sustains us We are continuously striving to increase sustainability efforts and have developed a thorough company-wide action plan targeted at conservation of resources Our efforts include energy-saving technology integration, responsible product design, resource conservation, recycling with responsible end of life electronics management and green information technology practices

Social

At INTERNETQ, we are committed to operating responsibly in all aspects of our business, including enriching the communities where we operate and creating an inclusive, safe and healthy workplace We know that mobile technology is a great way to bring people together and build communities that is why at the core of our Corporate and Social Responsibility ("CSR") efforts we use the same expertise, technology and partnerships we use in working with our customers We believe that CSR is both our responsibility and an essential part of good management As we navigate through our growth transition, we remain committed to integrating CSR initiatives into our business, not only to enrich and contribute to the lives of the communities we work and live, but also to create tangible value for our employees, customers, and shareholders

Principal risks and Uncertainties

Management and control of risks within the Group is embedded within day to day operating procedures The Group has developed a comprehensive risk mitigation plan to ensure minimum exposure and secure solutions These procedures comprise a range of measures including corporate policies, operating rules, systematic reporting, external audits, self-assessment and continuous monitoring by the Board of Directors and the executive management team

The Group operates globally in varied markets and the principal risks and uncertainties have been reviewed by the Board together with agreed mitigating actions The most significant risks and uncertainties and mitigation actions are outlined below

Business Risks

- **Recruitment and retention-** Technological and marketing competence and innovation is critical to the Group's performance and is highly dependent on the expertise of the Directors and key employees The Group has share incentive plans which award shares to more than 30 employees with a vesting period of twenty four months Moreover, the Group has competitive remuneration packages in place to secure the services of these Directors and key employees
- **Maintaining a stable service infrastructure and reliable service delivery-** The Group takes steps to ensure the continuous and ongoing function of the Company's technological infrastructure and proprietary software platforms by enhancing and improving its platforms' capabilities Additionally the Group has developed and implemented a disaster recovery plan to ensure ongoing function
- **Impact of evolving technology** – The Group is in a continuous process of evaluating potential negative effects of evolving technology in advance, in order to take suitable actions to mitigate this risk In this direction, the management is focused on product innovation to cope with market trends The newly launched Minimob service illustrates the result of our continuous product development program Moreover, the Group's ability to anticipate and respond quickly to technology opportunities is a key strength of our business

- **Maintaining and expanding current, and developing new, customer relationships** – The Group's commercial strategy to mitigate this risk is working closely with its regional partners to expand business in all existing markets and enter into new ones Additionally the Group is focusing on developing strategic partnerships and operators' deals for territory expansion The Management regularly monitors the communications with all top clients and ensures multiple contacts with each client
- **Compliance with local laws and regulations** – The Group operates in various countries with different regulatory frameworks and therefore is exposed to the risk of frequent regulatory changes in less established legal systems Adverse and increased regulations can affect significantly the existing business and potential growth The management is partially mitigating this risk by assessing the regulatory environment and legal system before entering into new markets The Group is also implementing strong code of contact across all operations Moreover the Management closely monitors the regulatory environment of all key markets and communicates frequently with the Group's legal advisors for such matters
- **Risks resulting from International operations** – The Group is exposed to a variety of other risks and challenges in managing an organization operating in various countries, including those related to, general economic and political conditions in each country or region, overlapping tax regimes, reduced protection for intellectual property rights in some countries, and maintaining effective control in less developed, emerging markets The Group is mitigating this risk by establishing its presence across a wide range of territories Moreover the Group has implemented an internal control process over all Group Companies including, common financial systems and reporting, internal audit projects to reinforce controls and procedures, and strong HR processes Furhtermore, please refer to Note 29 Financial risk management objectives and policies to the financial statements, for the Group's Country risk assessment

Financial Risks

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates With respect to long-term borrowings, Management monitors on a constant basis the interest rate variances and evaluates the need for assuming certain positions for the hedging of such risks Additionally the Group's long-term debt obligations decreased during 2012 Further information about the financial risk management objectives and policies is disclosed in note 29

Foreign Currency Risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries The Group is active internationally and is exposed to variations in foreign currency exchange rates which arise mainly from Polish ZLOTY, Singaporean Dollar, UK pound and Turkish Lira The Group's exposure to foreign currency changes for all other currencies is not material There is no foreign currency risk relating to financial instruments as there are no such instruments

Credit Risk

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments

The Group has policies in place to ensure that sales are made to customers with a high credit standing Long term and ongoing relationship with customers minimize the risk of bad debts For the Group's credit policy refer to Note 18

The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at 31 December 2012 and 31 December 2011, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying statements of financial position

Liquidity Risk

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

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

Capital Management

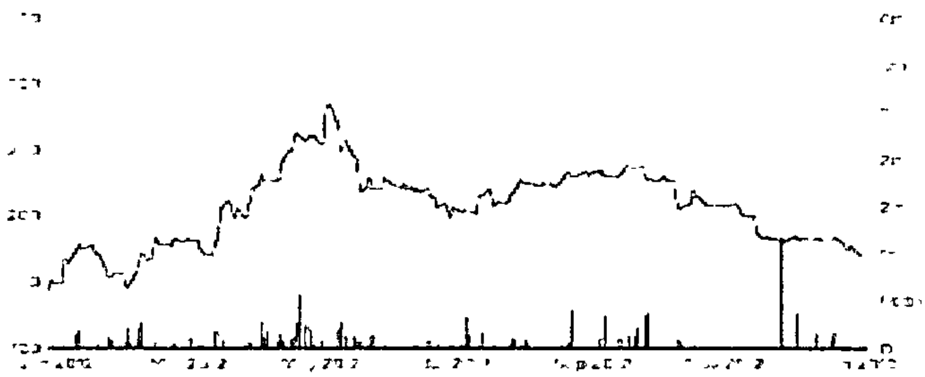
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations and maximize shareholder value The Group's policy is to maintain leverage targets in line with an investment grade profile The Group monitors capital using Net Debt to EBITDA ratio and establishes the desirable ranges based on the market's (peers) average ratios that is Net Debt four to five times the EBITDA

The Group includes within Net Debt, interest bearing loans and borrowings, less cash and cash equivalents (excluding restricted cash) EBITDA is defined by adding back to (or subtracting from) profit after tax, income tax, finance costs and finance income and depreciation and amortization expenses The Group at the end of 2012 had net funds of € 6 5 million compared to net funds of € 7 3 million at the end of the previous year (please refer to note 29 - the Capital Management note in the financial statements)

Share Capital

INTERNETQ PLC listed on the AIM market on 6 December 2010 with a placing at £1 20 per share The share price of the Company was £1 72 as at 31 December 2012 The issued share capital of the Company is denominated in British pounds sterling (GBP) As at 15 March 2013, there were 34,795,468 ordinary shares issued and outstanding

The graph below presents the performance of the Company's share on the London Stock Exchange's AIM for the year ended 31 December 2012



As at 15 March 2013, the Company had the following shareholders with direct or indirect interest of 3% or more of the issued and outstanding share capital of the Company

Shareholders	Shares	Percentage
Panagiotis Dimitropoulos	18,268,750	52 65%
Legal & General Investment Management	5,219,166	15 04%
Standard Life Investment	1,352,946	3 90%
Ignis Asset Management	1,040,923	3 00%

Going Concern
The Directors, after considering the risks and uncertainties set out on pages 11 and 12 and after reviewing the Group's operating budgets, investment plans and financing arrangements, consider that the Group and the Company have sufficient resources at their disposal to continue their operations for the foreseeable future Accordingly, the financial statements have been prepared on a going concern basis

Events after the reporting period
For significant events after the reporting period please refer to Note 30

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

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

Auditors
There is no limitation of liability in the terms of appointment of the Auditor The Company's Auditors for the next year will be appointed in the Annual General Meeting that will take place in May 2013

Approved by the Board and signed on its behalf by

Veronica Nocetti
(Chief Financial Officer)
9 April 2013

Directors' remuneration report

Directors' Remuneration

The Board recognizes that Directors' remuneration is of legitimate interest to the shareholders The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation

As an AIM company INTERNETQ is not required to (and does not) comply with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Policy on Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary The remuneration will also reflect the Director's responsibility and contains incentives to deliver the Group's objectives

Under the Non-executive directors' deferred share plan, the Company may at its discretion award shares in discharge of its obligations to pay remuneration, any Director's fee or make any other payment under their appointment letters The terms of the Non-Executive Directors share payments are determined by the Company's remuneration committee and approved by the Company's Board of Directors, on a yearly basis

Under the Employees' Share Incentive Plan (including Executive Directors), shares of the Company are granted to employees subject to satisfaction of certain performance conditions which are based on earnings-based targets The remuneration committee is responsible for defining on a yearly basis the eligible employees as well as specific earnings-based targets Such performace conditions were chosen in line with market practise

The remuneration of the Directors (including share incentive plans and share based payments) was as follows (all amounts in euro)

	Basic salary and fees	Benefits	Share incentive plan	Share based payments	Defined benefit plan	Total 2012	Total 2011
Konstantinos Korletis (Chairman)	152,999	74,319	-	107,525	-	334,843	233,521
Stuart Cruickshank (prior chairman)	79,837	-	-	76,001	-	155,838	63,965
Panagiotis Dimitropoulos (Founder and CEO)	188,899	17,667	57,837	-	2,526	266,929	210,928
Veronica Nocetti (Chief Financial Officer)	106,485	18,399	51,025	-	1,438	177,347	155,701
Michael Jolliffe (Non-executive Director)	23,120	-	-	45,567	-	68,687	46,580
Ian Johnston (Non-executive Director)	37,999	-	-	30,376	-	68,375	49,423
Robert Beveridge (Non-executive Director)	25,102	-	-	10,129	-	35,231	-
	614,441	**110,385**	**108,862**	**269,598**	**3,964**	**1,107,250**	**760,118**

For further information please refer to Note 26 and Note 27 of the accompanying financial statements

The number of shares under the share incentive plan (for executive Directors) and the deferred share incentive plan (for Non-executive Directors) are as follows

	At 1 January 2012 No	Granted during the year No	At 31 December 2012 No
Konstantinos Korletis (Chairman)	-	40,000	40,000
Stuart Cruickshank (prior Chairman)	10,416	26,921	37,337
Panagiotis Dimitropoulos (Founder and CEO)	-	40,000	40,000
Veronica Nocetti (Chief Financial Officer)	25,000	15,000	40,000
Michael Jolliffe (Non-executive Director)	15,625	15,625	31,250
Ian Johnston (Non-executive Director)	10,416	10,416	20,832
Robert Beveridge (Non-executive Director)	-	4,629	4,629
	61,457	**152,591**	**214,048**

The directors interests in shares as of 31 December 2012 and 31 December 2011 are as follows

	At 31 December 2012 No	At 31 December 2011 No
Konstantinos Korletis (Executive Chairman)	501,875	1,000,000
Stuart Cruickshank (prior Chairman)	37,337	10,416
Panagiotis Dimitropoulos (Founder and CEO)	18,268,750	18,150,000
Veronica Nocetti (Chief Financial Officer)	40,000	25,000
Michael Jolliffe (Non-executive Director)	31,250	15,625
Ian Johnston (Non-executive Director)	20,832	10,416
Robert Beveridge (Non-executive Director)	4,629	-
	18,904,673	**19,211,457**

Konstantinos Korletis in 2012 sold a total number of 550,000 of Company's shares resulting to a total gain of 1 2 million UK pounds (€1 5 million)

On April 2012, Bob Beveridge was appointed as a Non-executive Director of the Company and as the new Chairman of the Audit Committee On October 2012, Stuart Cruickshank announced his retirement of the Company's board of directors as the Non-executive Chairman Konstantinos Korletis (prior Chief Executive Officer) was elected to the new role of Executive Chairman, while Panagiotis Dimitropoulos, (Founder of the Company) was appointed Chief Executive Officer

Panagiotis Dimitropoulos entered into a service agreement with InternetQ Telecommunication and internet services S A (a direct wholly owned subsidiary of the Company) on August 2005 Pursuant to this agreement his employment as a director of the Company may be terminated by either party giving 12 months' notice to the other party or in the case of the Company with immediate effect for cause

Konstantinos Korletis entered into an employment agreement with InternetQ Telecommunication and internet services S A (a direct wholly owned subsidiary of the Company) on April 2010 Pursuant to this agreement the employment is indefinite and may be terminated with or without notice according to the relevant provision of Greek employment legislation at the time According to the employment agreement Konstantinos Korletis has the right to receive a bonus of at least 25% of his annual salary conditional on the Company achieving certain performance targets Konstantinos Korletis was a Non-Executive member of the Board before becoming the Group's CEO in April 2010 and Executive Chairman in November 2012

Veronica Nocetti entered into a service agreement with InternetQ Telecommunication and internet services S A (a direct wholly owned subsidiary of the Company) on December 2010 Pursuant to this agreement her employment is indefinite and may be terminated by either party giving 6 months' notice to the other Additionally Veronica Nocetti entered into a service agreement with the Company in December 2010

Stuart Cruickshank was appointed in December 2010 The appointment was for an initial term of three years to be reviewed annually and was terminable on three months' notice by the Director and six months' notice by the Company On 24 October 2012, Stuart Cruickshank announced his retirement from the Company's Board of directors as the Non-executive Chairman

Iain Johnston was appointed in December 2010 The appointment is for an initial term of three years to be reviewed annually and is terminable on three months' notice by the Director and six months' notice by the Company

Michael Jolliffe was appointed in December 2010 The appointment is for an initial term of two years to be reviewed annually and terminable on three months' notice by the Director and six months' notice by the Company

Robert Beveridge was appointed in April 2012 The appointment is for an initial term of 3 years to be reviewed annually and terminable on three months' notice by the Director and six months' notice by the Company

The above service and employment agreements do not provide for any compensation payable on termination of the Directors, and are in line with the Company's policy on the duration of these agreements Additionally these agreements do not provide for performance related element except as stated above

Approved by the Board and signed on its behalf by

Iain Johnston
(Chairman of the Remuneration Committee)
9 April 2013

Corporate Governance Report

As INTERNETQ listed on AIM in December 2010 the Company has chosen not to comply with the 2010 UK Corporate Governance Code However, the corporate governance framework we are implementing is aimed at enabling us to voluntarily comply with the 2012 UK Corporate Governance Code in the future

The Board

The Responsibilities and Objectives of the Board

The Board's principal responsibility is to act in the best interests of the shareholders as a whole within the legal framework of the Companies Act 2006 The Board establishes the aims and objectives for the Company, approves the strategic direction and plans and the operating budgets proposed by the Chief Executive Officer, and monitors performance against them The Board is also responsible for identifying the key risks faced by the Group, for exercising proper and appropriate corporate governance, for establishing and ensuring the effectiveness of the company's systems of internal control and reviewing management performance

The Composition of the Board

The Board comprises of six directors, three of whom are independent non-executive directors The composition of the Board is outlined in the Directors and Executive Management section (page 8)

The Operation of the Board

The Board has agreed on five scheduled meetings a year, but is committed to convene via conference calls whenever required A schedule of meetings and principal matters to be discussed is set out at the beginning of each year The Board delegates certain of its responsibilities to committees which are described below The Board determines the chairmanship and membership of the committees Minutes of those committee meetings are circulated to Board members prior to each Board meeting During 2012 11 Board meetings were held

There is a schedule of key operational matters reserved for Board Approval, including significant long-term obligations, acquisitions and divestments above certain levels, the raising of new capital and entering into loan agreements The Board delegates the day-to-day management of the business to the executive directors

Committees of the Board

Audit Committee

The Audit Committee members are all independent non-executive directors The Chairman of the Committee is Robert Beveridge and the other members of the Committee are Iain Johnston and Michael Jolliffe The Audit Committee determine and examine matters relating to the financial affairs of the Group including the terms of engagement of the Group auditors and, in consultation with the auditors, the scope of their audit The Committee receives and reviews reports from management and the external auditors relating to the annual accounts and the accounting and the internal control systems in use throughout the Group

The Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the external auditors are given notice of all meetings and may be invited to attend The Committee and the external auditors meet formally, without the presence of any executive directors, at least once a year, in order to discuss any issues or concerns from either party

Nomination Committee

The Nomination Committee comprises of Michael Jolliffe, Iain Johnston and Panagiotis Dimitropoulos and it is chaired by Michael Jolliffe The Nomination Committee will monitor the size and composition of the Board and the other Committees, it is responsible for identifying suitable candidates for Board membership and it monitors the performance and suitability of the current Board on an ongoing basis

Remuneration Committee

The Remuneration Committee is comprised of the non-executive directors, Robert Beveridge, and Michael Jolliffe and is chaired by Iain Johnston Stuart Cruickshank was also a member of the Committee until he resigned from the Board of Directors in October 2012 The Remuneration Committee reviews and makes recommendations in respect of the Directors' remunerations and benefit packages, including share options and the terms of appointment The Remuneration Committee also makes recommendations to the Board concerning share incentive plans

Approved by the Board and signed on its behalf by

Panagiotis Dimitropoulos
CEO & Founder
9 April 2013

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and the profit or loss of the Company and the Group for that period In preparing these financial statements, the Directors are required to

- Present fairly the financial position, financial performance and cash flows of the Group and the Company,
- Select suitable accounting policies in accordance with IAS 8- Accounting policies, changes in Accounting Estimates and Errors and then apply them consistently,
- Present information, including accounting policies, in a manner that provide relevant, reliable, consistent and understandable information,
- Make judgments and accounting estimates that are reasonable,
- State whether applicable IFRS (as adopted in the EU) have been followed, subject to any material departures disclosed and explained in the financial statements,
- Provide additional disclosures when compliance with the specific requirements in IFRS (as adopted in the EU) is insufficient to enable users to understand the impact of transactions, other events and conditions on the Group and Company's financial position and financial performance, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Group and the Company will continue in business

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

The Directors are also responsible for preparing the Directors' Report, and the Directors' Remuneration Report in accordance with the Companies Act 2006

Independent auditor's report to the members of INTERNETQ PLC

We have audited the financial statements of INTERNETQ PLC for the year ended 31 December 2012 which comprise the Group and Company Income Statements, the Group and Company Statements of comprehensive income, the Group and Company Statements of financial position, the Group and Company Statements of changes in equity, the Group and Company Statements of cash flows, and the related notes 1 to 30 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit and the parent company's loss for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

Nick Gomer (Senior statutory auditor) Ernst & Young LLP
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 April 2013

Income Statements

For the year ended 31 December 2012

(Amounts in Euro except share information, per share data and unless otherwise stated)

		Group		Company	
	Notes	**2012**	**2011**	**2012**	**2011**
Revenues	8	73,431,504	50,076,541	-	-
Cost of sales	9	(35,187,749)	(26,603,228)	-	-
Gross profit		**38,243,755**	**23,473,313**	-	-
Other operating income		174,273	265,123	-	-
Selling and distribution costs	9	(26,511,544)	(15,780,609)	(135,129)	(120,386)
Administrative expenses	9	(4,779,444)	(3,942,373)	(2,150,503)	(811,739)
Operating profit / (loss)		**7,127,040**	**4,015,454**	**(2,285,632)**	**(932,125)**
Finance costs	10	(586,818)	(1,042,659)	(296,441)	(486,317)
Finance income	10	361,065	288,023	309,479	114,369
Profit / (loss) before tax		**6,901,287**	**3,260,818**	**(2,272,594)**	**(1,304,073)**
Income tax	11	(899,587)	(840,099)	-	-
Profit / (loss) after income tax		**6,001,700**	**2,420,719**	**(2,272,594)**	**(1,304,073)**
Attributable to					
Equity holders of the parent		**6,001,700**	**2,420,719**	**(2,272,594)**	**(1,304,073)**
Earnings per share basic	12	**0 18**	**0 08**		
Earnings per share diluted	12	**0 18**	**0 08**		

The accompanying notes are an integral part of the financial statements

Statements of comprehensive income
For the year ended 31 December 2012
(Amounts in Euro except share information, per share data and unless otherwise stated)

	Group		Company	
	2012	2011	2012	2011
Profit / (loss) for the year	**6,001,700**	**2,420,719**	**(2,272,594)**	**(1,304,073)**
Other comprehensive income	-	-	-	-
Exchange differences on translation of foreign operations net of tax	511,432	464,085	408,026	1,531,980
Other comprehensive income / (loss) for the year	**511,432**	**464,085**	**408,026**	**1,531,980**
Total comprehensive income/ (loss) for the year	**6,513,132**	**2,884,804**	**(1,864,568)**	**227,907**
Attributable to				
Equity holders of the parent	**6,513,132**	**2,884,804**	**(1,864,568)**	**227,907**

The accompanying notes are an integral part of the financial statements

Statements of financial position
As at 31 December 2012
(Amounts in Euro except share information, per share data and unless otherwise stated)

		Group		Company	
	Notes	2012	2011	2012	2011
Assets					
Non-current assets					
Property, plant and equipment	13	2,185,663	2,067,758	-	-
Investment property	14	505,700	535,000	-	-
Investment in subsidiaries	15	-	-	6,209,402	5,865,272
Goodwill	7	3,097,051	2,910,315	-	-
Intangible assets	16	11,292,011	7,017,598	-	-
Non-current financial assets	17	2,602,605	-	2,602,605	-
Other non-current assets		102,607	89,533	-	-
Deferred tax assets	11	452,121	924,184	-	-
Total non-current assets		**20,237,758**	**13,544,388**	**8,812,007**	**5,865,272**
Current assets					
Trade receivables	18	30,406,390	12,419,804	-	-
Prepayments and other receivables	19	2,889,232	13,617,921	22,889,344	13,049,576
Current financial assets	17	102,519	-	102,519	-
Cash and cash equivalents	20	8,697,402	9,657,296	1,229,618	6,344,914
Restricted cash	20	633,538	926,136	210,357	645,835
Total current assets		**42,729,081**	**36,621,157**	**24,431,838**	**20,040,325**
Total assets		**62,966,839**	**50,165,545**	**33,243,845**	**25,905,597**
Equity and liabilities					
Equity attributable to equity holders of the parent company					
Share capital	21	105,345	94,884	105,345	94,884
Share premium	21	34,227,669	25,376,214	34,227,669	25,376,214
Other components of equity	21	1,199,047	936,057	1,199,047	936,057
Exchange differences		647,671	136,239	1,262,002	853,976
Retained Earnings		10,900,407	4,898,707	(3,793,846)	(1,521,252)
Total equity		**47,080,139**	**31,442,101**	**33,000,217**	**25,739,879**
Non-current liabilities					
Interest-bearing loans and borrowings	22	240,100	841,900	-	-
Employee benefits liability	25	31,463	27,668	-	-
Provisions	28	51,830	66,130	-	-
Deferred tax liability	11	173,467	153,920	-	-
Total non-current liabilities		**496,860**	**1,089,618**	**-**	**-**
Current liabilities					
Trade payables	23	10,807,890	7,719,152	215,452	76,341
Interest-bearing loans and borrowings	22	1,380,509	1,381,231	-	-
Current portion of interest-bearing loans and borrowings	22	601,800	143,468	-	-
Income tax payable		673,677	860,957	-	-
Accruals and other current liabilities	24	1,925,964	7,529,018	28,176	89,377
Total current liabilities		**15,389,840**	**17,633,826**	**243,628**	**165,718**
Total liabilities		**15,886,700**	**18,723,444**	**243,628**	**165,718**
Total equity and liabilities		**62,966,839**	**50,165,545**	**33,243,845**	**25,905,597**

The accompanying notes are an integral part of the financial statements

Panagiotis Dimitropoulos
Chief Executive Officer

Veronica Nocetti
Chief Financial Officer

9th April 2013

Statements of changes in equity
For the year ended 31 December 2012
(Amounts in Euro except share information, per share data and unless otherwise stated)

Group	Share capital	Share premium	Other components of equity	Exchange differences	Retained Earnings	Total
Balance at 1 January 2011	**79,400**	**9,203,906**	**-**	**(327,846)**	**2,477,988**	**11,433,448**
Profit after income tax	-	-	-	-	2,420,719	2,420,719
Other comprehensive income/(loss)	-	-	-	464,085	-	464,085
Total comprehensive income	**-**	**-**	**-**	**464,085**	**2,420,719**	**2,884,804**
Share capital increase (Note 21)	15,484	16,814,493	-	-	-	16,829,977
Transaction costs (Note 21)	-	(642,185)	-	-	-	(642,185)
Contingent Consideration (Note 7)	-	-	936,057	-	-	936,057
Balance at 31 December 2011	**94,884**	**25,376,214**	**936,057**	**136,239**	**4,898,707**	**31,442,101**
Balance at 1 January 2012	**94,884**	**25,376,214**	**936,057**	**136,239**	**4,898,707**	**31,442,101**
Profit after income tax	-	-	-	-	6,001,700	6,001,700
Other comprehensive income/(loss)	-	-	-	511,432	-	511,432
Total comprehensive income	**-**	**-**	**-**	**511,432**	**6,001,700**	**6,513,132**
Share capital increase (Note 21)	10,461	8,522,109	-	-	-	8,532,570
Transaction costs (Note 21)	-	(379,835)	-	-	-	(379,835)
Share incentive plan (Note 21)	-	-	232,781	-	-	232,781
Contingent consideration (Note 21)	-	709,181	(522,445)	-	-	186,736
Share based payments for business combinations (Note 21)	-	-	552,654	-	-	552,654
Balance at 31 December 2012	**105,345**	**34,227,669**	**1,199,047**	**647,671**	**10,900,407**	**47,080,139**

Company	Share capital	Share premium	Other components of equity	Exchange differences	Retained Earnings	Total
Balance at 1 January 2011	**79,400**	**9,203,906**	**-**	**(678,004)**	**(217,179)**	**8,388,123**
Loss after income tax	-	-	-	-	(1,304,073)	(1,304,073)
Other comprehensive income/(loss)	-	-	-	1,531,980	-	1,531,980
Total comprehensive income	**-**	**-**	**-**	**1,531,980**	**(1,304,073)**	**227,907**
Share capital increase (Note 21)	15,484	16,814,493	-	-	-	16,829,977
Transaction costs (Note 21)	-	(642,185)	-	-	-	(642,185)
Contingent Consideration (Note 7)	-	-	936,057	-	-	936,057
Balance at 31 December 2011	**94,884**	**25,376,214**	**936,057**	**853,976**	**(1,521,252)**	**25,739,879**
Balance at 1 January 2012	**94,884**	**25,376,214**	**936,057**	**853,976**	**(1,521,252)**	**25,739,879**
Loss after income tax	-	-	-	-	(2,272,594)	(2,272,594)
Other comprehensive income/(loss)	-	-	-	408,026	-	408,026
Total comprehensive income /(loss)	**-**	**-**	**-**	**408,026**	**(2,272,594)**	**(1,864,568)**
Share capital increase (Note 21)	10,461	8,522,109	-	-	-	8,532,570
Transaction costs (Note 21)	-	(379,835)	-	-	-	(379,835)
Share incentive plan (Note 21)	-	-	232,781	-	-	232,781
Contingent consideration (Note 21)	-	709,181	(522,445)	-	-	186,736
Share based payments for Business Combinations (Note 21)	-	-	552,654	-	-	552,654
Balance at 31 December 2012	**105,345**	**34,227,669**	**1,199,047**	**1,262,002**	**(3,793,846)**	**33,000,217**

The accompanying notes are an integral part of the financial statements

Statements of cash flows
For the year ended 31 December 2012
(Amounts in Euro except share information, per share data and unless otherwise stated)

	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash flows from operating activities					
Profit/ (loss) before income taxes		6,901,287	3,260,818	(2,272,594)	(1,304,072)
Adjustments for					
Depreciation and amortisation		3,449,939	2,442,659	-	-
Valuation of investment property		29,300	72,000	-	-
Loss / (gains) on disposal of property, plant, and equipment		10,076	(13,842)	-	-
Losses on disposal of intangible assets		-	12,130	-	-
Finance income		(181,896)	(100,618)	(309,479)	(114,368)
Finance costs		390,394	428,286	41,064	89,898
Realised gains on derivatives		-	(6,328)	-	-
Share incentive plan expense		487,917	343,960	487,917	343,960
Non-Executive Directors share incentive plan expense		269,598	50,409	269,598	50,409
Share based payments for business combinations		895,518	-	895,518	-
Allowance for doubtful trade and other receivables		122,438	268,892	-	-
Reversal of provision		(14,300)	(59,870)	-	-
Provision for employee benefits liability		85,592	47,737	-	-
Net cash before working capital changes		**12,445,863**	**6,746,233**	**(887,976)**	**(934,173)**
(Increase)/ decrease in					
Trade receivables		(18,023,830)	(7,578,313)	(23,859)	-
Prepayments and other receivables		10,449,686	(9,746,353)	(9,620,951)	(12,050,756)
Other non-current assets		(13,074)	(2,546)	-	-
Increase/ (decrease) in					
Trade payables		2,853,344	3,441,331	139,110	(31,098)
Accruals and other current liabilities		(5,629,414)	2,781,088	(61,202)	14,965
Income taxes paid		(387,521)	(889,122)	-	-
Payment of employee benefits liability		(81,797)	(36,572)	-	-
Other non-current liabilities		-	(300)	-	-
Net cash from operating activities		**1,613,257**	**(5,284,554)**	**(10,454,878)**	**(13,001,062)**
Cash flows from investing activities					
Capital expenditure for property, plant and equipment		(723,966)	(1,586,657)	-	-
Proceeds from disposals of property, plant and equipment		43,591	25,986	-	-
Increase of intangible assets		(6,936,563)	(4,042,151)	-	-
Acquisition of subsidiaries (net of cash acquired)		-	399,163	-	-
Decrease / (increase) in restricted bank accounts		292,599	(407,617)	435,479	(645,835)
Interest and related income received		106,500	95,879	53,053	41,948
Net cash (used in) / from Investing Activities		**(7,217,839)**	**(5,515,397)**	**488,532**	**(603,887)**
Cash flows from financing activities					
Proceeds from the issuance of share capital		7,281,368	12,836,487	7,281,368	12,836,487
Purchase of financial assets		(2,639,886)	-	(2,639,886)	-
Payments of long term borrowings		(143,468)	(143,468)	-	-
Payment of short term borrowings		(723)	(891,719)	-	-
Finance costs paid		(364,035)	(408,056)	(41,064)	(89,898)
Net Cash used in Financing Activities		**4,133,256**	**11,393,244**	**4,600,418**	**12,746,589**
Effect of exchange rates' changes on flows and cash		511,432	429,398	250,632	1,544,381
Net (decrease) / increase in cash and cash equivalents		**(959,894)**	**1,022,691**	**(5,115,296)**	**686,021**
Cash and cash equivalents at beginning of year		**9,657,296**	**8,634,605**	**6,344,914**	**5,658,893**
Cash and cash equivalents at end of the year	20	**8,697,402**	**9,657,296**	**1,229,618**	**6,344,914**

The accompanying notes are an integral part of the financial statements

Notes to the financial statements
For the year ended 31 December 2012
(Amounts in Euro except share information, per share data and unless otherwise stated)

1. Corporate Information

INTERNETQ PLC (hereinafter referred to as "INTERNETQ PLC" or the "Company"), is incorporated in England and Wales The Company's registered office is located in St Botolph Building, 138 Houndsditch, London EC3A 7AR, United Kingdom and the Registered No is 5512988 The Company's ordinary shares are traded on the London Stock Exchange in the Alternative Investment Market (AIM)

INTERNETQ PLC and its subsidiaries (hereinafter the "Group") are mainly engaged in trading and development of software and related products and services used in wireless communication and telecommunication The activities of the Group are described in Note 15

2 Basis of Preparation

(a) Basis of preparation and statement of compliance

The accompanying financial statements have been prepared on a historical cost basis except for investment properties that have been measured at fair value The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in compliance with the requirements of the Companies Act 2006 The Directors have assessed the ability of the Company and the Group to continue operating as a going concern and believe that the preparation of these financial statements on the going concern basis is appropriate

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

The financial statements of INTERNETQ PLC for the year ended 31 December 2012 were authorised for issue by the Company's board of directors on 9 April 2013

(b) Basis of Consolidation

The accompanying financial statements comprise the financial statements of INTERNETQ PLC and its subsidiaries The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated in full

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases When there is a loss of control of a subsidiary the consolidated financial statements include the results for the part of the reporting period during which the parent had control

Losses are attributed to the non-controlling interest even if that results in a deficit balance A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained

- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

3. Summary of significant accounting policies

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

(a) Business combinations and goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss

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

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

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained

(b) Foreign currency translation·

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

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 other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income

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

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

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

(c) Revenue recognition

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

Revenue from services
Revenues of the Group mainly consist of telecommunications traffic (premium rate telephone minutes and SMS messages) that is generated from the end 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 Group 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 Group 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

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

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature

(d) Taxes

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

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

Sales tax

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

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

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

(e) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any Repair and maintenance costs are recognised in the income statement as incurred Significant improvements are capitalized to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency

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

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

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

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

(f) Leases

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

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are recognised in finance costs in the income statement

A leased asset is depreciated over the useful life of the asset However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset All other borrowing costs are expensed in the period in which they occur Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

(h) Investment properties

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

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

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

(i) Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable If not, the change in useful life from indefinite to finite is made on a prospective basis

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 income statement when the asset is derecognised

Research and development costs

Research costs are expensed as incurred Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate

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

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

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

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

- Purchased software — 3- 5 years
- Internally generated software — 3- 5 years
- Customer relationships — 15 years
- Non-compete agreement — 1 year, commencing on the date of termination of I-POP's Managing and Advising shareholders' appointment (refer to Note 7)

(j) Financial instruments

i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement- Loans and receivables

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

Derecognition

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

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

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

ii) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

iii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement- Loans and borrowings

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

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

Derecognition

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

iv) Offsetting of financial instruments

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

v) Fair value of financial instruments

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

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

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

(k) Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income The Group has no open position in derivatives as of 31 December 2012 and 2011

(l) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset In determining fair value less costs to sell, recent market transactions are taken into account If no such transactions can be identified, an appropriate valuation model is used These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators

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

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other 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 Group 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 exceed 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 income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase

The following assets have specific characteristics for impairment testing

Goodwill

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

Intangible assets

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

(m) Cash and short-term deposits

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

(n) Share capital

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

(o) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the General Meeting of the Company's Shareholders

(p) Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain The expense relating to any provision is presented in the income statement net of any reimbursement If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote Contingent assets are not recognized in the financial statements, unless the inflow of economic benefit is virtually certain, but are disclosed when an inflow of economic benefits is probable

(q) Employee benefits obligations

Staff retirement obligations are calculated at the present value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions detailed in Note 25 and are determined using the projected unit credit actuarial valuation method Net pension costs for the period are included in payroll in the accompanying statements of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges Past service costs are recognised on a straight-line basis over the average period until the benefits under the plan become vested Actuarial gains or losses are recognised based on the corridor approach over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year it exceeds 10% of the projected benefit obligation The retirement benefit obligations are not funded

(r) Share-based payment transactions

Employees (including senior executives) and the non-executive members of the Group's Board of Directors receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments (equity-settled transactions)

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which, vesting is conditional upon a market or non-vesting condition These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately This includes any award where non-vesting conditions within the control of either the entity or the employee are not met However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2012 Their adoption did not have any impact on the financial position or performance of the Group or the company

- **IFRS 7 Financial Instruments Disclosures (Amended)** - Enhanced Derecognition Disclosure Requirements
- **IAS 12 Income Taxes (Amended)** – Deferred Taxes Recovery of Underlying Assets
- **Improvements to IFRS (issued 2010)** - which are applicable for periods ending after 1 October 2012

5 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Internally generated software

Development Costs relating to internally generated software are capitalised in accordance with the accounting policy in Note 3 (j) Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed At 31 December 2012, the carrying amount of capitalised development costs was €3,741,173 (2011 €3,045,862)

Provision for income taxes and unaudited tax years

Uncertainties exist with respect to certain interpretation of the tax regulations and the amount and timing of future taxable income Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile As a result of the above the Group has established provisions for unaudited tax years, the carrying amount of which as at 31 December 2012 is €125,000 (2011 €125,000)

Deferred tax assets

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

The deferred tax assets recognised on losses carried forward amounting to €324,519 (2011 €1,021,514) and refer to certain affiliates of the Company, for which sufficient taxable profits are anticipated in order for this asset to be recovered If these affiliates do not generate future profits, the deferred income tax asset will have to be written off as income tax expense

On the other hand, the Group has tax losses carried forward of €3,600,657 (2011 €1,445,668) for which no deferred tax asset has been recognised due to the uncertainty of future taxable profits occurring given the current facts and circumstances Further details are given in Note 11

Provision for Litigation cases

The Group exercises judgment in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims Judgment is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise, and to quantify the possible range of the financial settlement Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision

The Group has been imposed fines from Polish regulators amounting to €188,018 (2011 €188,018) Based upon legal advice, the Group has recognised a provision as of 31 December 2012 amounting to €51,830 (2011 €51,830) which equates to 27% of the total claims The Group estimates that these cases will be settled more than twelve months after the reporting date If the provision had been based on a 10% higher percentage of total claims (37%), the carrying amount of the provision would had been increased by €18,880 with an equivalent decrease in profit and equity Further details are given in Note 28

The Group has received a number of civil court claims regarding certain mobile marketing campaigns in Poland The total amount of the claims against the Group is €168,000 (2011 €218,000) The Group has not recognised any provision for the year ended 31 December 2012 (2011 €14,300) based on legal advice If the Group had recognised a higher provision of 10% of total claims, the Group's profit and equity would have been decreased by €16,800 Further details are given in Note 28

An entity in the Group is a defendant in a legal action involving labor dispute with five prior employees of the Group for a total amount of €180,000 (2011 €91,712) Based upon legal advice, the Group has recognised a provision as of 31 December 2012 amounting to €108,000 (2011 €55,027) which equates to 60% of total claims The Group estimates that these cases will be settled within twelve months from the reporting date If the provision had been based on a 10% higher percentage of total claims (70%), the carrying amount of the provision would had been increased by €18,000 with an equivalent decrease in profit and equity Further details are given in Note 28

Estimates and assumptions

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

Impairment of trade and other receivables

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

The carrying amount of the Group's trade and other receivables as at 31 December 2012 is disclosed in Notes 18 and 19 Furthermore, the provision charged for the allowance of trade and other receivables as at 31 December 2012 amounted to €122,437 (2011 €268,892) Group's management assessed that apart from the amount provided in the consolidated financial statements, no additional provision is required for past due receivables since they are not considered impaired

Valuation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the income statement The Group engages independent valuation specialists to determine fair value at each year end The fair value of the investment property has been determined by weighting the two different approaches (sales comparison approach – market approach (80%) and income capitalisation approach (20%)) If the market value and the income capitalisation rate were 10% lower, the fair value of the property whould have been decreased by €50,473 with an equivalent decrease in profit and equity The fair value of the investment property as at 31 December 2012 is set out in the Note 14

Impairment of Goodwill

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

The Group performed an impairment test for Goodwill, arising from I-POP acquisition, at 31 December 2012 using cash flow projections based on financial budgets covering a five-year period As a result of this test, the Company has not recognised any impairment charge against goodwill If management's estimated gross margins used in the value in use calculation at 31 December 2012 is lowered by 9%, the goodwill of €3 1 million would be fully impaired Even if management's estimated pre-tax discount rate applied to the discounted cash flows is raised by a reasonable percentage (e g 3 percentage points) the carrying amounts of goodwill would not be impaired

6. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date The Group is in the process of assessing this impact and intends to adopt these standards when they become effective

IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income

The amendment is effective for annual periods beginning on or after 1 July 2012 The amendments to IAS 1 change the grouping of items presented in OCI Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation performance

IAS 19 Employee Benefits (Revised)

The amendment is effective for annual periods beginning on or after 1 January 2013 The IASB has issued numerous amendments to IAS 19 These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording This amendment is expected to impact the Group's net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2014 As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates This amendment is not expected to impact the Group's financial position or performance

IAS 32 Financial Instruments Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014 These amendments clarify the meaning of "currently has a legally enforceable right to set-off" The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous The Group is in the process of assessing the impact of this amendment, and intends to adopt the standard when it becomes effective

IFRS 7 Financial Instruments Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2013 These amendments require an entity to disclose information about rights to set-off and related arrangements (e g collateral agreements) The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32

IFRS 9 Financial Instruments· Classification and Measurement

The new standard is effective for annual periods beginning on or after 1 January 2015 IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015 In subsequent phases, the IASB will address hedge accounting and impairment of financial assets The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued This standard has not yet been endorsed by the EU

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements The new standard is effective for annual periods beginning on or after 1 January 2014 IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities

IFRS 10 establishes a single control model that applies to all entities including special purpose entities The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27 Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2014 IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method The new standard is not expected to have any impact on the Group's financial position

IFRS 12 Disclosures of Interests in Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2014 IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities A number of new disclosures are also required but has no impact in the Group's financial position or performance

IFRS 13 Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013 IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS The effective date for the amendments is for annual periods beginning on or after 1 January 2013 This project has not yet been endorsed by the EU These improvements will not have an impact on the Group but mainly include

IAS 1 Presentation of Financial Statements. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information Generally, the minimum required comparative period is the previous period

IAS 16 Property, Plant and Equipment. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments, Presentation. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes

IAS 34 Interim Financial Reporting. The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements This clarification also ensures that interim disclosures are aligned with annual disclosures

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013 The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities The amendments change the transition guidance to provide further relief from full retrospective application The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time' The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined However, if the control assessment is the same, no retrospective application is required If more than one comparative period is presented, additional relief is given to require only one period to be restated For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief This guidance has not yet been endorsed by the EU

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendment is effective for annual periods beginning on or after 1 January 2014 The amendment applies to a particular class of business that qualifies as investment entities The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both An investment entity must also evaluate the performance of its investments on a fair value basis Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i e all subsidiaries) The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them The amendment also sets out disclosure requirements for investment entities This amendment has not yet been endorsed by the EU

7. Business combinations

On 1 July 2011, the Group completed the acquisition of 100% of the voting rights of I-POP Networks Pte Ltd ("I-POP"), a Singapore based mobile and media services company, funded entirely by the issue of 914,865 shares in INTERNETQ PLC

I-POP was founded in 2001 and operates directly or through subsidiaries in Singapore, Indonesia, Thailand, Vietnam, and the Philippines I-POP's technology and data processing centers are located in Singapore and Vietnam

I-POP provides direct connectivity, mobile marketing, as well as media solutions to a wide range of clients ranging from mobile network operators, FMCG (fast moving consumer goods) companies, advertising and creative agencies, as well as traditional media companies I-POP is connected with 69 mobile network operators in Southeast Asia (32 direct and 37 through aggregators), covering more than 500 million subscribers in 19 countries

The key strategic benefits of the acquisition include

- Accelerates the geographical expansion of the Group to South-East Asia,
- Increase the number of the connectivity agreements of the Group with mobile network operators,
- Allows the Group to address its mobile marketing products and services to a wider customer base, and
- Enables the immediate roll-out of AKAZOO in the South-east Asia region

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of I-POP Networks Pte Ltd as at the date of acquisition were

	Fair value recognised on the acquisition
Assets	
Property plant and equipment	69,601
Intangible assets	1,547,361
Non current assets	24,700
Deferred tax assets	515,673
Trade receivables	491,229
Other receivables	392,496
Cash and cash equivalents	399,163
Restricted cash	7,373
Total Assets	**3,447,596**
Liabilities	
Other non current liabilities	300
Deferred tax liabilities	163,233
Trade Payables	204,498
Accrued and other Liabilities	2,096,887
Total Liabilities	**2,464,918**
Total identifiable net assets at fair value	**982,678**
Goodwill arising on acquisition	3,097,051
Purchase consideration transferred	**4,079,729**

The fair value of the property plant and equipment amounts to €69,601 and relate mainly to computer servers

The fair value of the intangible assets amounting to €1,547,361, consist of IT platform software of €749,092, customers' relationships (connectivity agreements with mobile operators) of €595,083 and non-compete agreements with former shareholders of €203,186 (the managing and advising shareholders cannot be engaged in a business similar to the Company's operations for one year after the termination of their services) As a result of the intangible assets identified on acquisition, a deferred tax liability amounting to €163,233 has been recognised

A deferred tax asset amounting to €515,673 was recognised in respect of the tax losses carried forward as at the acquisition date At the reporting date the Group has utilised €475,796 and still anticipates sufficient future taxable profits to enable this asset to be fully recovered

The fair value of the trade receivables amounting to €491,229 consisted mainly of trade accounts with mobile service providers and aggregators of mobile service providers At the reporting date these trade receivables have been received The contractual amounts of trade receivables amounted to € 666,518

The fair value of trade payables amounting to €204,498 consisted mainly of accounts payable to content providers and to aggregators of mobile service providers

Accrued and other liabilities amounting to €2,096,887 includes accrued expenses of €1,500,000 and a loan facility of €514,000 which was granted from INTERNETQ PLC prior to the acquisition date

The goodwill amounted to €3,097,051 comprises the value of the expected synergies arising from the acquisition The goodwill arises mainly from the benefits that the Group is expecting from the roll out of AKAZOO in the area of South-East Asia and therefore a portion is allocated to this segment A portion of goodwill is further allocated to the Mobile Marketing Sector where the Group estimates that a number of campaigns are going to be conducted in cooperation with I-POP Networks Pte Ltd Up until 31 December 2012 the Group has launched Akazoo in 4 countries in the region of South East Asia, while it has conducted numerous mobile marketing campaigns The goodwill recognised is not expected to be deductible for income tax purposes

The Group performed an impairment test for Goodwill at 31 December 2012 using cash flow projections based on financial budgets covering a five-year period The pre-tax discount rate applied to cash flow projections is 13 08% and average gross profit margin applied is 22% Cash flows beyond the five-year period are extrapolated using a 4% growth rate (consistent with the average growth rate of the industry) As a result of this test, the Company has not recognised any impairment charge against goodwill

At the reporting date, no contingent liabilities have been identified as existing as at the acquisition date

Since the date of acquisition and until 31 December 2012, I-POP has contributed €12,711,245 of revenue and a €1,295,506 profit after tax to the Group If the acquisition had taken place at the beginning of 2011 year and not on 1 July 2011, the revenue contribution to the Group would have been €14,501,246 and the negative contribution to the profit before tax of the Group would have been €111,276

The following table summarises the consideration transferred for I-POP Networks PTE LTD at the acquisition date

	Fair value recognised on the acquisition
Purchase Consideration	
Shares issued at fair value	**2,956,936**
Contingent consideration as component of equity (shares to be issued)	**1,122,793**
Total consideration	**4,079,729**
Analysis of cash flow on acquisition	
Transaction costs at the acquisition (included in cash flows from operating activities)	(499,774)
Net cash acquired with the subsidiary (included in cash flows from investment activities)	399,163
Net cash flow on acquisition	**(100,611)**

The Group issued 914,865 of its ordinary shares as consideration for the 100% interest in I-POP Networks Pte Ltd The fair value of the shares is the market price of the shares of the Group at the acquisition date, which was €3 23 each (rounded to the second decimal digit due to translation from UK pound) The fair value of the consideration given is therefore €2,956,936

Transaction costs of €499,774 were expensed in the year ended 31 December 2011, and were included in the administrative expenses

Contingent consideration
As part of the purchase agreement, the former shareholders are entitled to a number of shares (up to 1,162,177 corresponding to €3,756,273) conditional on the achievement of certain performance conditions in the fiscal years 2011, 2012 and 2013 The performance conditions relate to a) minimum revenues, b) minimum profit after tax, c) maximum operating expenses, d) maximum funding requirements to execute the yearly business plan, e) minimum number of campaigns conducted and f) minimum number of mobile subscribers base and countries of operation

Since the performance conditions are independent of one another (and not cumulative) and since a specific number of shares correspond to each performance condition (not a variable number depending on performance conditions) the Group treated the contingent consideration as a component of equity The final assessment of the contingent consideration recognised in the 31 December 2012 financial statements was determined to be €1,122,793 (347,388 shares at a value of €3 23 each, rounded to the second decimal digit due to translation from UK pound) (2011 €936,057) corresponding to an increase of €186,736 and resulting in an equivalent increase in Goodwill and equity (in the account "other components of equity" in the accompanying statement of financial position)

After the approval of 2011 financial statements the Group made a proposal to the prior CEO and prior shareholder of I-POP to resign offering him most of the consideration shares The respective settlement agreement between INTERNETQ and the prior CEO of the company provided that the prior CEO will be awarded a total number of 400,000 INTERNETQ's shares to be issued in 4 equal installments of 100,000 shares each The amount of 400,000 shares was deemed reasonable given the fact that the prior CEO owned 30 2% of I-POP prior to the acquisition

From the total of 400,000 shares awarded to the prior CEO, 130,657 of the issued shares relate to the outstanding contingent consideration from the acquisition of I-POP resulting in a decrease of €422,296 in the equity account "other components of equity" and an equivalent increase in share capital and share premium The remaining 269,343 shares were recorded as compensation for the termination of his services and therefore charged in the 31 December 2012 income statement (Note 9, Acquisition costs / share based payments and are included in administrative expenses) corresponding to a decrease of €744,267 in the profits and equity From the remaining 269,343 shares 69,343 were issued in 2012 corresponding to an increase in share capital and share premium amounting to €191,614, while 200,000 shares will be issued in 2013 The value of the 200,000 shares to be issued in 2013 amounted to € 552,653 have been recorded in the account "other components of equity"

The Company also provided to the prior shareholder and CEO of I-POP as well as to the advising shareholder of I-POP, as part of their termination package and according to the non-compete clause of the Sale and Purchase Agreement, the total number of 52,493 shares (out of which 20,000 were granted from the 2012 share incentive plan) amounting to € 151,251 As these shares did not relate to the contingent consideration, it was charged in the 31 December 2012 income statement (Note 9, Acquisition costs / share based payments and are included in administrative expenses) corresponding to a decrease of €151,251 in the profits and equity

On 25 September 2012, 88,761 ordinary shares of 0 25 pence each we issued at a price of £2 92 resulting in an increase of €286,885 in share capital and share premium and an equivalent decrease in the account "other components of equity These shares were issued to the prior managing shareholders of I-POP Networks PTE LTD in respect of their contingent consideration and after achieving the performance conditions for the fiscal year 2011, under the terms of the sell and purchase agreement of I-POP Networks PTE LTD

8 Segment Information

For management purposes the Group is organised into business units based on its services Consequently, the Group has five reportable operating segments as follows

- **The Mobile Marketing operating segment** Specially designed for campaigns on mobile telecommunications networks
- **The AKAZOO operating segment** Services offering access to digital content (music, games, subscriptions) from the Group's platform AKAZOO
- **The Legacy operating segment** Media Services involving audience through compelling promotions, programs and live shows that draw attention to content
- **The Aggregation Services operating segment** Services that enable customers' billing directly via the users' mobile phone
- **Investment Properties·** Rental income from operating leases

No operating segments have been aggregated to form the above reportable operating segments

In 2011 the Group has decided to split the previously reported Mobile Entertainment segment into two separate segments and report AKAZOO segment separately from the Legacy segment The significant increase of AKAZOO business during 2011, in connection with the intentions of the management and the future trends in the specific segment, resulted in management assessing AKAZOO and its operating results separately for the purpose of decision making At the same time the declining Legacy business (mainly Greek based) was the reason for management deciding to monitor the specific business as a separate segment

The Group, in 2011 after the acquisition of I-POP in South East Asia, decided to report the aggregation services as a separate segment The Group through this segment provides a unique, yet proven, combination of technology, software and creative services that enables the rapid development, distribution and billing for digital content, media licensing and marketing services These services can be more easily summarized as Billing/Aggregation (that enables I-POP's partners to bill for services directly via a users' mobile phone), media content and format exploitation (for integrated brand marketing campaigns and TV shows), and enterprise solutions, that make the most out of today's mobile media revolution for corporate clients

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment Segment performance is evaluated based on operating profit or loss (minus any costs that are not allocated to segments)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties Segment income, expenses and results will include those transfers between business segments which eliminated on consolidation

The following table represents revenue and profit information regarding the Group's operating segments for the year ended 31 12 2012

2012	Mobile Marketing	Akazoo	Legacy	Aggregation Services	Investment Properties	Adjustments and eliminations	Consolidated
Revenue							
External customer	57,487,351	11,439,473	1,167,300	3,322,980	-	-	73,417,104
Related parties (note 27)	-	-	-	-	14,400	-	14,400
Inter-segment	4,467,941	3,268,290	-	-	-	(7,736,231)	-
Total revenue	**61,955,292**	**14,707,763**	**1,167,300**	**3,322,980**	**14,400**	**(7,736,231)**	**73,431,504**
Segment profit /(loss)	**9,866,221**	**(941,174)**	**(213,701)**	**(654,982)**	**(33,806)**	**-**	**8,022,558**
Segment profit / (loss) includes the following							
Depreciation and amortisation	(1,835,884)	(1,388,575)	(122,970)	(102,510)	-		(3,449,939)
Operating Assets	**70,776,773**	**24,277,982**	**2,313,428**	**3,305,441**	**506,421**	**(38,665,327)**	**62,514,718**
Operating Liabilities	**37,063,696**	**10,953,789**	**1,032,253**	**2,407,711**	**25,025**	**(38,665,327)**	**12,817,147**
Other disclosures							
Capital expenditure	8,558,138	1,487,127	42,830	74,601	-	(2,266,771)	7,895,925

1 Inter-segment revenues are eliminated on consolidation
2 Segment profit / (loss) does not include acquisition costs (€895,518), finance income (€361,065), finance costs (€586,818) and income tax expense (€899,587) as these items are managed on a group basis
3 Segment assets do not include deferred tax asset (€452,121), as this asset is managed on a group basis
4 Segment liabilities do not include interest bearing loans and borrowings (€2,222,409), deferred tax liabilities (€173,467) and current income tax payable (€ 673,677), as these liabilities are managed on a group basis
5 Capital expenditure consists of additions of property, plant and equipment and intangible assets

Revenues from three clients (partners with which the Group conducts campaigns in the regions of Middle East, Africa and Russia) which amounted to €49,331,188 (86% of total Mobile Marketing revenues) are included within the mobile marketing segment, revenues from five clients which amounted to €7,640,697 (67% of total Akazoo revenues) are included within the AKAZOO segment, revenues from three clients which amounted to €1,080,122 (93% of total Legacy revenues) are included within the Legacy segment, while revenues from two clients which amounted to € 2,159,459 (65% of total Aggregation revenues) are included in the aggregation services segment
The following table represents revenue and profit information regarding the Group's operating segments for the year ended 31 12 2011

2011	Mobile Marketing	Akazoo	Legacy	Aggregation Services	Investment Properties	Adjustments and eliminations	Consolidated
Revenue							
External customers	41,173,467	6,005,800	1,240,731	1,645,743	-	-	50,065,741
Related parties (note 27)	-	-	-	-	10,800	-	10,800
Inter-segment	4,444,132	2,093,873	-	-	-	(6,538,005)	-
Total revenue	**45,617,599**	**8,099,673**	**1,240,731**	**1,645,743**	**10,800**	**(6,538,005)**	**50,076,541**
Segment Operating profit /(loss)	**6,163,158**	**(1,350,382)**	**(370,689)**	**(345,239)**	**(81,394)**	**-**	**4,015,454**
Segment profit / (loss) includes the following							
Depreciation and amortisation	(790,026)	(1,384,047)	(99,260)	(169,326)	-	-	(2,442,659)
Operating Assets	**51,851,359**	**12,776,892**	**1,996,313**	**4,064,678**	**537,584**	**(21,985,465)**	**49,241,361**
Operating Liabilities	**28,018,426**	**6,343,725**	**1,297,457**	**1,647,673**	**20,152**	**(21,985,465)**	**15,341,968**
Other disclosures							
Capital expenditure	3,107,564	4,898,744	141,315	157,033	-	(2,809,168)	**5,495,488**

1 Inter-segment revenues are eliminated on consolidation
2 Segment operating profit does not include finance income (€288,023), finance costs (€1,042,659) and income tax expense (€840,099) as these items are managed on a group basis
3 Segment assets do not include deferred tax asset (€924,184), as this asset is managed on a group basis
4 Segment liabilities do not include deferred tax liabilities (€153,920), interest bearing loans and borrowings (€2,366,599) and current income tax payable (€ 860,957), as these liabilities are managed on a group basis
5 Capital expenditure consists of additions of property, plant and equipment and intangible assets

Revenues from four clients which amounted to €30,112,370 (73% of total Mobile Marketing revenues) are included within the mobile marketing segment, revenues from three clients which amounted to €4,060,561 (68% of total Akazoo revenues) are included within the AKAZOO segment, while revenues from three clients which amounted to €1,001,038 (81% of total Legacy revenues) are included within the Legacy segment

Geographic information

Revenues from external customers	2012	2011
Europe (including CIS)	30,143,654	30,788,226
Latin America	22,552	17,391
Middle East (including Turkey)	5,116,157	3,552,775
Africa	11,278,400	7,030,604
Asia	26,870,741	8,687,545
Total Revenues	**73,431,504**	**50,076,541**

The Company being only the holding company of the Group has no operations in the country of domicile Revenues in Europe include mainly revenues in Russia, Poland and Greece corresponding to approx 21% (2011 22%), 9% (2011 22%) and 4% (2011 7%) of the Group's revenues respectively In addition, revenues in Turkey amount to 3% of the Group's revenues (2011 6%)

Non-current assets

	2012	2011
Europe (including CIS)	15,446,648	8,170,545
Latin America	-	344
Middle East (including Turkey)	4,215	-
Africa	-	-
Asia*	4,334,774	4,449,315
Total non-current assets	**19,785,637**	**12,620,204**
	-	-

Non-current assets include property, plant, and equipment, goodwill and other intangible assets, investment properties, non-current financial assets and other non-current assets

9 Analysis of expenses

Expenses (cost of sales, selling and distribution and administrative) in the accompanying income statements are analysed as follows

	Group		Company	
	2012	2011	2012	2011
Advertising and promotion costs	25,775,185	13,846,680	27,791	-
Cost of services (including license fees)*	27,202,711	20,625,149	-	-
Payroll and related costs	4,167,939	3,452,484	149,028	69,582
Share option plans	757,515	394,369	757,515	394,369
Acquisition costs / share based payments (note 7)	895,518	-	895,518	
Depreciation and amortisation	3,449,939	2,442,659	-	-
Third party fees and services	3,578,409	4,031,919	321,752	406,576
Operating lease payments	688,672	501,321	-	-
Travelling expenses	380,762	598,350	45,156	21,742
Allowance of doubtful accounts	122,438	268,892	-	-
Valuation of investment properties at fair value	29,300	72,000	-	-
Other expenses	1,181,346	1,311,493	88,872	39,856
Less amounts capitalised	(1,750,997)	(1,219,106)	-	-
Total expenses	**66,478,737**	**46,326,210**	**2,285,632**	**932,125**

*In 2011 financial statements license fees were presented separately, while in 2012 financial statements they have been included within cost of services

The above expenses are categorised in the accompanying income statements as follows

	Group		Company	
	2012	2011	2012	2011
Cost of sales	35,187,749	26,603,228	-	-
Selling and distribution	26,511,544	15,780,609	135,129	120,386
Administrative expenses	4,779,444	3,942,373	2,150,503	811,739
Total expenses	**66,478,737**	**46,326,210**	**2,285,632**	**932,125**

The depreciation and amortisation is categorised in the accompanying income statements as follows

	Group		Company	
	2012	2011	2012	2011
Cost of sales	3,310,827	2,344,164	-	-
Selling and distribution	25,045	17,733	-	-
Administrative expenses	114,067	80,763	-	-
Total expenses	**3,449,939**	**2,442,659**	-	-

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

	Group		Company	
	2012	2011	2012	2011
Wages and salaries	3,459,217	2,870,257	125,228	57,027
Social security costs	565,193	455,117	23,800	12,555
Staff retirement indemnities	95,664	49,181	-	-
Other staff costs	47,865	77,929	-	-
Total	**4,167,939**	**3,452,484**	**149,028**	**69,582**
Less Amounts capitalised	(746,497)	(706,580)	-	-
Total	**3,421,442**	**2,745,904**	**149,028**	**69,582**

The Group's number of employees as at 31 December 2012 amounted to 91 (2011 137) The number of employees were made up as follows

	Group	
	2012	2011
Administration	30	40
International Operations	30	53
Akazoo	16	19
Software development	15	25
Total	**91**	**137**

The remuneration of the auditors included in the "Third parties fees and services" for the years ended 31 December 2012 and 2011 is analysed as follows

	Group	
	2012	2011
Fees payable to the Company's auditor for the audit of the Company's annual accounts	72,868	76,289
Fees payable to the Company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	107,689	110,079
Tax compliance services	43,910	65,500
Total	**224,467**	**251,868**

Tax compliance services for the year ended 31 December 2012 and 2011 relate to review of transfer pricing documentation and tax certificate work following the recent statutory requirement in Greece

10 Finance income / (costs)

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

	Group		Company	
	2012	2011	2012	2011
Interest on short term borrowings (Note 22)	(116,708)	(142,063)	-	-
Interest on long term borrowings (Note 22)	(47,270)	(49,712)	-	-
Exchange differences	(196,424)	(614,373)	(255,377)	(396,419)
Other finance costs	(226,416)	(236,511)	(41,064)	(89,898)
Total finance costs	**(586,818)**	**(1,042,659)**	**(296,441)**	**(486,317)**
Interest earned	181,625	96,330	309,479	114,369
Derivatives valuation	-	6,328	-	-
Exchange differences	179,169	181,077	-	-
Other finance income	271	4,288	-	-
Total finance income	**361,065**	**288,023**	**309,479**	**114,369**
Total finance income/ (costs) net	**(225,753)**	**(754,636)**	**13,038**	**(371,948)**

11 Income tax

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

	Group		Company	
	2012	2011	2012	2011
Current income taxes	407,978	1,047,904	-	-
Deferred tax	491,609	(207,805)	-	-
Total charge for income taxes	**899,587**	**840,099**	**-**	**-**

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

	Group		Company	
	2012	2011	2012	2011
Profit/(loss) before income taxes	**6,901,287**	**3,260,818**	**-2,272,594**	**-1,304,073**
Income tax calculated at the nominal applicable rate (24 5%) (2011 26 5 %)	1,690,815	864,117	(556,785)	(345,579)
Effect of income/loss subject to different tax rates	(969,769)	(493,030)	-	-
Reversing/originating temporary differences	93,136	185,035	-	-
Tax effect on non-tax deductible expenses and non-tax deductible income	(216,642)	(83,746)	362,592	-
Tax effect on tax losses for which no deferred tax was recognized	342,562	364,234	194,193	345,579
Accruals for unaudited tax year	-	63,149	-	-
Other	(40,515)	(59,660)	-	-
Total charge for income taxes	**899,587**	**840,099**	**-**	**-**

Current income tax

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

The tax rates at 31 December 2012 of the countries where the most significant operations of the Group are located are the following

- Greece 20% (2011 20%)
- Poland 19% (2011 19%)
- Cyprus 10% (2011 10%)
- Turkey 20% (2011 20%)
- Singapore 17% (2011 17%)

The Greek nominal tax rate for the year 2012 is 20% The above mentioned tax refers only to the non-distributed profits to shareholders The profits distributed, are taxed at 40% irrespective of being paid in cash or in shares The above provisions as regards the distribution of profits are applicable for profits deriving from balance sheets dated as of 31 December 2010 and onwards

The tax returns are submitted annually, however, they remain provisional until such time as the tax authorities examine the books and records of the respective branches and subsidiaries In a future tax examination of the tax unaudited years, additional tax and penalties may be assessed by the tax authorities For the unaudited years it is not possible to determine with accuracy any additional tax and penalties that may be assessed, as these will depend on the findings of the tax authorities

As of 31 December 2012, the Greek and Cypriot subsidiaries have been audited by the tax authorities up to 31 December 2009 and 2002 respectively, while for the rest of the subsidiaries no tax audit has been performed (due to the recent dates of incorporation)

The Group establishes income tax accruals to cover the potential tax assessments based on previous years' tax audits and the development of the related amounts Such accruals are re-assessed at each year-end considering any possible late development and are deemed adequate to cover the potential tax assessments

All earnings in foreign jurisdictions are permanently reinvested as the earnings are needed for working capital needs and capital improvements Hence, no deferred tax liability has been recognised

Deferred tax

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
Opening balance	770,264	210,018	-	-
Charge for the year	(491,610)	560,246	-	-
Closing balance	**278,654**	**770,264**	**-**	**-**

The detailed movement in deferred tax assets and liabilities of the Group during the year ended 31 December 2012 and 2011 is as follows

	1 January 2012	(Debit)/credit to statement of income	(Debit)/credit to equity	31 December 2012
Deferred tax assets				
Revenue not recognised				
Accrued expenses	203,687	(98,416)	-	105,271
Tax losses carried forward	1,021,514	(696,995)	-	324,519
Provision for staff retirement indemnities	5,534	759	-	6,293
Provision for doubtful receivables	360,807	9,231	-	370,038
Total	**1,591,542**	**(785,421)**	**-**	**806,121**
Deferred tax liabilities				
Deferred costs	(84,952)	57,647	-	(27,305)
Accrued income	(341,829)	295,489	-	(46,340)
Reversal of debit exchange differences	(4)	4	-	-
Capitalisation of internally generated software	(232,407)	(87,295)	-	(319,702)
Intangible assets recognised from acquisition	(157,343)	23,303	-	(134,040)
Other	(4,743)	4,663	-	(80)
Total	**(821,278)**	**293,811**	**-**	**(527,467)**
Deferred tax asset/(liability) net	**770,264**	**(491,610)**	**-**	**278,654**
Reflected in the statement of financial position as follows				
Deferred tax assets	924,184			452,121
Deferred tax liabilities	(153,920)			(173,467)
Deferred tax	**770,264**			**278,654**

	1 January 2011	(Debit)/credit to statement of income	Business Combinations	31 December 2011
Deferred tax assets				
Revenue not recognised	328,119	(328,119)	-	-
Accrued expenses	69,896	133,791	-	203,687
Tax losses carried forward	11,799	494,042	515,673	1,021,514
Provision for staff retirement indemnities	3,301	2,233	-	5,534
Provision for doubtful receivables	133,283	227,524	-	360,807
Total	**546,398**	**529,471**	**515,673**	**1,591,542**
Deferred tax liabilities				
Deferred costs	(63,220)	(21,732)	-	(84,952)
Accrued income	-	(341,829)	-	(341,829)
Reversal of debit exchange differences	(8,313)	8,309	-	(4)
Capitalisation of internally generated software	(260,104)	27,697	-	(232,407)
Intangible assets recognised from acquisition	-	5,890	(163,233)	(157,343)
Other	(4,743)	-	-	(4,743)
Total	**(336,380)**	**(321,665)**	**(163,233)**	**(821,278)**
Deferred tax asset/(liability) net	**210,018**	**207,806**	**352,440**	**770,264**
Reflected in the statement of financial position as follows				
Deferred tax assets	387,216			924,184
Deferred tax liabilities	(177,198)			(153,920)
Deferred tax	**210,018**			**770,264**

The deferred tax assets recognised over tax losses carried forward, refer to two companies of the Group for which sufficient taxable profits are anticipated in order for these assets to be recovered On the other hand, the Company and the Group have tax losses of €1,760,523 (2011 €1,304,073) and approx €3,600,658 (2011 €1,445,668) respectively, however, no deferred tax is recognised due to the uncertainty of future taxable profits occurring given the current facts and circumstances

12. Earnings per share

Basic earnings/ (loss) per share amounts are calculated by dividing net profit/ (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares

The following reflects the income and share data used in the basic and diluted earnings per share computations

	Group	
	2012	**2011**
Net profit attributable to ordinary equity holders of the parent from continuous operations	6,001,700	2,420,719
Weighted average number of ordinary shares for basic earnings per share	32,648,605	28,559,202
Earnings per share basic	**0 18**	**0 08**
Weighted average number of ordinary shares for basic earnings per share	32,648,605	28,559,202
Effect on dilution		
Deferred consideration shares (Note 7)	62,826	173,694
Acquisition costs / share based payments (Note 7)	50,556	-
Share incentive plan (Note 26)	290,889	-
	404,271	**173,694**
Weighted average number of ordinary shares adjusted for the effect of dilution	33,052,876	28,732,896
Earnings per share diluted	**0 18**	**0 08**

13 Property, plant and equipment

Property, plant and equipment of the Group are analysed as follows

	Leasehold improvements	Furniture and other equipment	Transportation means	Network equipment and computer hardware	Total
Cost					
At 1 January 2011	**367,889**	**938,071**	**108,255**	**1,838,712**	**3,252,927**
Additions	149,560	209,001	10,000	1,143,839	1,512,400
Additions from Acquisitions*	-	24,146	-	45,455	69,601
sales/ write offs	-	(148,126)	-	(30,559)	(178,685)
At 31 December 2011	**517,449**	**1,023,092**	**118,255**	**2,997,447**	**4,656,243**
Additions	97,812	100,048	-	712,178	910,038
Sales/ write offs	-	(44,290)	-	(631,115)	(675,405)
At 31 December 2012	**615,261**	**1,078,850**	**118,255**	**3,078,510**	**4,890,876**
Depreciation					
At 1 January 2011	(71,792)	(682,834)	(16,547)	(1,563,031)	(2,334,204)
Depreciation expense	(47,845)	(96,761)	(16,971)	(254,562)	(416,139)
Sales/ write offs	-	144,052	-	17,806	161,858
At 31 December 2011	**(119,637)**	**(635,543)**	**(33,518)**	**(1,799,787)**	**(2,588,485)**
Depreciation expense	(56,222)	(140,235)	(17,738)	(524,270)	(738,465)
Sales/ write offs	-	5,726	-	616,011	621,737
At 31 December 2012	**(175,859)**	**(770,052)**	**(51,256)**	**(1,708,046)**	**(2,705,213)**
Net book value at 1 January 2011	**296,097**	**255,237**	**91,708**	**275,681**	**918,723**
Net book value at 31 December 2011	**397,812**	**387,549**	**84,737**	**1,197,660**	**2,067,758**
Net book value at 31 December 2012	**439,402**	**308,798**	**66,999**	**1,370,464**	**2,185,663**

*These additions relate to the acquisition of I-POP Networks Pte Ltd, for further details please refer to note 7 The accumulated depreciation of these assets was eliminated against the gross carrying amount of the assets

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

14. Investment Property

The movement of investment property is analysed as follows

	Group	
	2012	**2011**
Opening balance	**535,000**	607,000
Valuation of investment property	(29,300)	(72,000)
Closing balance	**505,700**	**535,000**

The investment property is stated at fair value, which has been determined based on valuations performed by American Appraisal (Hellas) Limited an accredited independent valuer, as at 31 December 2012 and 31 December 2011, The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards The fair value of the investment property has been determined by weighting the two different approaches (sales comparison approach – market approach and income capitalisation approach) The Market approach is considered to be as the most reliable indication of value and assumes that an informed buyer would not pay for an acquisition of property, more than the cost of buying a similar one for the same use and purpose The income capitalisation approach is based on the capitalisation of revenues that the property generates or can generate according to its current use

On October 2006 the investment property was held as collateral of short term interest bearing loan and borrowing for the amount of €1,000,000

The investment property is currently being rented to the Company's CFO (Note 26) For the net profit arising for the investment property refer to note 8

15. Investment in Subsidiaries

The Company's investment in subsidiaries relates to InternetQ Telecommunication and internet services S A, (Greece) and to InternetQ Southeast Asia PTE LTD The movement of the investment is analysed as follows

	2012	2011
Opening balance	**5,865,272**	**1,624,192**
Additions (Note 7)	186,737	3,892,993
Exchange differences	157,393	348,087
Closing balance	**6,209,402**	**5,865,272**

The investments in subsidiaries are presented at cost less impairment if any

InternetQ Telecommunication and internet services S A and InternetQ Southeast Asia PTE LTD are the parent entities of the indirectly held subsidiaries of the Group The Company's directly and indirectly wholly owned subsidiaries as at 31 December 2012 and 31 December 2011 are listed below

InternetQ Telecommunication and internet services S A, was incorporated in Greece, in March 2000, and its principal activities, in accordance with Article 3 of its Articles of Incorporation, are to be engaged in businesses of trading and developing software and related products, services used in wireless communication and telecommunication Additional activities related to

- Export and import technical equipment and software required for the set-up, maintenance, repair, technical service, support and assistance activities for the purposes mentioned
- Consulting relating to such software and products mentioned above, and to provide and install various other support services including specialized training and education to the consumers and their personnel regarding the above stated activities

The Company holds directly 100% of the voting shares

MDI Mobile Dialogue International Limited was incorporated in Cyprus on 30 March 1999 as a wholly owned subsidiary of Internet Q Telecommunication and internet services S A and its principal activities relate to rendering of internet services, audio text and SMS services, media buying and programming and the provision of bandwidth lease services The Company holds indirectly 100% of the voting shares

Acalendra Enterprises Limited was incorporated in Cyprus on 22 April 2007, as a wholly owned subsidiary of MDI Mobile Dialogue International Limited, and operates in the investment properties business The Company holds indirectly the 100% of the voting shares

InternetQ Ukraine LLC was incorporated on 15 September 2008, as a wholly owned subsidiary of Internet Q Telecommunication and internet services S A, in Kiev, Ukraine and its principal activities consists of rendering telecommunication services and organising the advertising campaigns through the mass media The Company holds indirectly the 100% of the voting shares

Internetq Communication Services Trading LLC was incorporated on 16 July 2008, as a subsidiary of Internet Q Telecommunication and internet services S A, in Istanbul, Turkey Its principal activities relate to the rendering of telecommunication services and value added services via GSM operators The Company holds indirectly 99 99% of the voting shares, while the remaining 0 01% of shares is controlled by Mr Panagiotis Dimitropoulos, the Company's majority shareholder As at the reporting date, the non-controlling interest was immaterial for the Group's financial statements and therefore not accounted for

InternetQ Poland SPzoo was incorporated on 9 January 2009, as a subsidiary of InternetQ Telecommunication and internet services S A, in Warsaw, Poland Its principal activities relate to rendering of internet and telecommunication services The Company holds indirectly the 100% of the voting shares

Mobile Dialogue SPzoo was incorporated on 9 January 2010 as a subsidiary of InternetQ Telecommunication and internet services S A, in Warsaw, Poland Its principal activities relate to rendering of internet and telecommunication services The company holds indirectly the 100% of the voting shares

InternetQ DO Brazil Atividates de Internet LTDA was incorporated on 9 February 2010 as a subsidiary of InternetQ Telecommunication and internet services S A, in Sao Paulo of Brazil, Its principal activities relate to rendering of internet and telecommunication services The Company holds indirectly the 99 99% of the voting shares, while the remaining 0 01% of the shares is controlled by Mr Panagiotis Dimitropoulos, the Company's majority shareholder As at the reporting dates, the non-controlling interest was immaterial for the Group's financial statements and therefore, it was not accounted for

Escape Mobile Dialogue LTD was incorporated on 21 September 2010 as a subsidiary of MDI Mobile Dialogue International Limited in Athens, Greece Its principal activities relate to rendering of internet and telecommunication services The company holds indirectly the 100% of the voting shares

InternetQ Southeast Asia PTE LTD was incorporated on 3 June 2011 in Singapore Its principal activities relate to providing value added services to mobile operators and to engage in the business of trading of software and related product and services used in wireless communication and telecommunication The Company holds directly the 100% of the voting shares

I-POP Networks PTE LTD was incorporated on 9 May 2001 in Singapore Its principal activities relate to the development of e-commerce applications and other telecommunication activities, as well as to carry on business relating to IT, touchscreen hardware and applications, system engineering, multimedia application, electronic networking, and computer software development, including act as suppliers, dealers, importers, exporter, wholesalers and retailers of services and products relating to IT and touchscreen industries InternetQ Southeast Asia PTE LTD acquired I-POP Networks PTE LTD and its subsidiaries on 1 July 2011 The company holds indirectly 100% of the voting shares

Minh Phat Telecom Co LTD was incorporated on 3 September 2006 in Vietnam Its principal activities relate to providing, selling and distributing license mobile content including but not limited to sports, entertainment, business, and finance, Additional activities relate to online advertising and re-sell agency for telecommunication services The Company holds indirectly 100% of the voting shares

I-POP Mobile (Holding) LTD was incorporated on 3 February 2011 in Bangkok, Thailand Its principal activities relate to business consulting as well as being the holding company of I-POP Networks (Thailand) Ltd The Company holds indirectly 100% of the voting shares

I-POP Mobile Philippines INC was incorporated on 14 March 2007 in Philippines Its principal activities relate to engaging in the business of providing, trading and contracting services connected with electronic commerce and information technology including but not limited to website development and to software and hardware development The Company holds indirectly 98% of the voting shares The remaining 2% is controlled by the former managing shareholders of I-POP Networks Pte Ltd As at the reporting date, the non-controlling interest was immaterial for the Group's financial statements and therefore not accounted for

PT. I-POP Indonesia was incorporated on 28 February 2008 in Indonesia as a subsidiary of I-POP Networks PTE LTD Its principal activities relate to telephone added value services The Company holds indirectly the 100% of voting shares

I-POP Networks (Thailand) LTD was incorporated on 3 February 2011 in Bangkok, Thailand as a subsidiary of I-POP Mobile (Holding) LTD Its principal activities relate to the development of e-commerce applications and other telecommunication activities Additional activities relate to acting as broker and agent on telecommunication services The Company holds indirectly 100% of the voting shares

I-POP Vietnam JVC LTD was incorporated on 11 April 2009 in Vietnam Its principal activities relate to the acquisition, management and delivery of mobile content Additional activities of the company refer to the data processing and exchange of information in the internet The Company acquired I-POP Vietnam JVC on 1 July 2011 and holds indirectly 100% of the voting shares

Mobile Entertainment Solutions LTD was incorporated on 19 March 2012 in England and Wales Its principal activities relate to the rendering of internet and telecommunication services The Company holds directly 100% of the voting shares

InternetQ Hong Kong Co LTD was incorporated on 18 October 2012 in Hong Kong as a wholly owned subsidiary of InternetQ Southeast Asia PTE LTD Its principal activities relate to the rendering of internet and telecommunication services The Company holds indirectly 100% of the voting shares

16 Intangible assets

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

	Purchased Software	Internally generated software	Software under Development	Customers relationships	Non compete agreement	Total
Cost						
At 1 January 2011	**3,485,779**	**4,042,535**	**-**	**-**	**-**	**7,528,314**
Additions	1,551,125	926,381	1,505,582	-	-	3,983,088
Additions from Acquisitions (note 7)	12,130	736,968	-	595,083	203,186	1,547,367
Sales/ write offs	(20,092)	-	-	-	-	(20,092)
At 31 December 2011	**5,028,942**	**5,705,884**	**1,505,582**	**595,083**	**203,186**	**13,038,677**
Additions	5,234,892	1,253,511	497,484	-	-	6,985,887
Transfers	1,140,143	365,439	(1,505,582)	-	-	-
Sales/ write offs	-	-	-	-	-	-
At 31 December 2012	**11,403,977**	**7,324,834**	**497,484**	**595,083**	**203,186**	**20,024,564**
Amortisation						
At 1 January 2011	**(1,778,122)**	**(2,224,399)**	**-**	**-**	**-**	**(4,002,521)**
Additions	(1,205,622)	(801,062)	-	(19,836)	-	(2,026,520)
Sales/ write offs	7,962	-	-	-	-	7,962
At 31 December 2011	**(2,975,782)**	**(3,025,461)**	**-**	**(19,836)**	**-**	**(6,021,079)**
Additions	(1,550,101)	(1,055,684)	-	(39,672)	(66,017)	(2,711,474)
Sales / write offs	-	-	-	-	-	-
At 31 December 2012	**(4,525,883)**	**(4,081,145)**	**-**	**(59,508)**	**(66,017)**	**(8,732,553)**
Net book value at 1 January 2011	**1,707,657**	**1,818,136**	**-**	**-**	**-**	**3,525,793**
Net book value at 31 December 2011	**2,053,160**	**2,680,423**	**1,505,582**	**575,247**	**203,186**	**7,017,598**
Net book value at 31 December 2012	**6,878,094**	**3,243,689**	**497,484**	**535,575**	**137,169**	**11,292,011**

"Software under development" relates to the development of the new version of the AKAZOO platform AKAZOO 2 introduces to the market amongst other, the following new core features, unlimited music streaming on the web and on mobile through smartphone applications, automated sharing of music activity between socially connected users, connection to social ecosystems (i e Facebook), new intelligent search platform, flexible and multichannel billing methods

At year-end 2011 the development costs amounted to €1,505,582 of this new version of the platform was in progress and, therefore, the related costs were presented as software under development The platform was launched in September 2012 and consequently the amount was reallocated to purchase software and internally generated software, while the amortisation of the related development costs commenced at the same time

At the year-end 2012 an amount of €497,484, related to development costs for some additional new features of the AKAZOO 2, not yet released, is presented as software under development These new features relate mainly to the development of applications for access across all Android, IOS and blackberry devices, mobile phones and Tablets and Smart TVs, as well as for the development of sophisticated recommendation engines and AKAZOO 2 API These features and applications are expected to be released on April 2013 Upon the completion of the respective features the amortisation will commence

Customer relationships and non-compete agreement refer to the intangible assets recognised separately from the acquisition of I-POP Networks Pte Ltd For further information please refer to note 7 The relative amortisation of the non-compete agreement commenced in September 2012 after the termination of the prior managing and advising shareholders of I-POP

17. Non-current and current financial assets

	Group		Company	
	2012	2011	2012	2011
Long term loans and receivables				
Bond loan convertible to shares	2,602,605	-	2,602,605	-
Non-current financial assets	**2,602,605**	-	**2,602,605**	-
Current loans and receivables				
Loan	102,519	-	102,519	-
Current financial assets	**102,519**	-	**102,519**	-

On 23 January 2012, the Company has entered into a 2 5 million euro convertible bond loan facility with Aventurine S A Aventurine is an established independent software developer with focus on the production and marketing of online games (e g Darkfall's sequel)

The bond loan is classified as loans and receivables and recognised at amortised cost using the effective interest rate The bond loan will mature in January 2015 and bears an interest of 6% per annum The total interest income from the bond loan for the year ended 2012 amounted to €102,605 (2011 € 0) and it is included in finance income in the accompanying financial statements

In January 2012, Konstantinos Korletis and Panagiotis Dimitropoulos, according to the bond loan agreement, were appointed as non-executive members of Aventurine's S A board of directors (out of five members in total),

Additionally, on 27 January 2012 the Company has entered into a loan facility agreement for a principal amount of €100,000 with Aventurine S A which bears interest of 6% per annum The loan facility has a maturity date of 27 January 2013 however the loan can be renewed annually for a period of one more year after the first year if both parties do not object to such a renewal Moreover, according to the loan facility the Company may exercise its right to seek repayment of the loan at any time with a month's written notice to the borrower The total interest income from the loan for the year ended 2012 amounted to €5,509 (2011 € 0) and it is included in finance income in the accompanying financial statements

According to the bond loan agreement the Group will have the option to convert the bonds (conversion option) into equity The conversion rate is subject to the exercise period as follows

a) Assuming the conversion takes place within seven months from the launch of Darkfall's sequel (code-named Darkfall 2 0), the Group will own 40 06% of the Aventurine share capital
b) Assuming the conversion takes place within the period commencing seven months after the release date of Darkfall 2 0 and ending six months thereafter, the Group will own 28 57% of Aventurine share capital
c) Assuming the conversion takes place within the period commencing thirteen months after the release date of Darkfall 2 0 and ending on the final repayment date, the conversion rate is determined according to a formula linked to Aventurine's EBITDA

Following such conversion, the Group will also have the option to buy additional shares of Aventurine (call option) in order to control the majority of its share capital (50 1%) As of the reporting date, the online game Darkfall 2 0 had not been launched and therefore the conversion option and call option were not exercisable

The initial expected date of the launch of the online game Dark Fall 2 0 was in August 2012, however due to various delays the game was not released by the reporting date, and currently the expected date of the release is at the end of April 2013 Considering these delays in the release of the on-line game Darkfall 2 0 and therefore the uncertainty in achieving Aventurine's Business Plan, the fair value of the conversion option and the call option, mentioned above, was deemed to be zero both as at the date of entering into the convertible bond facility in January 2012 and as at 31 December 2012

18. Trade receivables

Trade receivables in the accompanying financial statements are analysed as follows

	Group		Company	
	2012	2011	2012	2011
Domestic and foreign customers	30,894,248	12,907,662	-	-
Less allowance for doubtful accounts receivable	(487,858)	(487,858)	-	-
Closing balance	**30,406,390**	**12,419,804**	-	-

The movement in the allowance for doubtful accounts receivable is as follows

	Group		Company	
	2012	2011	2012	2011
Opening balance	**487,858**	**514,874**	-	-
Provision for the year	37,245	4,859	-	-
Utilisation for the year	(37,245)	(31,875)	-	-
Closing balance	**487,858**	**487,858**	-	-

As of 31 December 2012 trade receivables of €37,245 (2011 € 31,875) were impaired and fully provided for

The aging analysis of trade receivables is as follows

	Group		Company	
	2012	2011	2012	2011
Nether past due nor impaired	30,227,596	12,277,725	-	-
Past due not impaired				
90-180 days	69,171	85,527	-	-
181-365 days	50,097	46,151	-	-
>365 days	59,526	10,401	-	-
Closing balance	**30,406,390**	**12,419,804**	-	-

Trade receivables are non-interest bearing and are normally settled on 0-90 days' terms Before accepting a new customer the Group assesses the potential customer's credit quality Credit quality assessment is mainly based on financial information requested from the customers and available information in the market considering that many of the Group's customers are large scaled operators and aggregators Moreover the Group policy is to cooperate with a customer in a single project and therafter expand its cooperation to other projects and countries Credit quality of customers is assessed once a year or frequently if needed, and is based on facts such as, financial difficulties of the customer and period of payments

19 Prepayments and other receivables

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

	Group		Company	
	2012	2011	2012	2011
Other tax advances	722,960	1,041,199	-	-
Advances to service providers	2,306,534	2,512,012	-	-
Prepaid expenses	541,384	1,667,512	19,146	-
Accrued income	626,264	9,591,407	-	-
Amounts due from related parties	-	-	22,834,842	13,022,702
Other debtors	98,316	126,824	35,356	26,874
	4,295,458	14,938,954	22,889,344	13,049,576
Less Allowance for doubtful accounts receivable	(1,406,226)	(1,321,033)	-	-
Total	**2,889,232**	**13,617,921**	**22,889,344**	**13,049,576**

The movement in the allowance for doubtful accounts is as follows

	Group		Company	
	2012	2011	2012	2011
Opening balance	**1,321,033**	**1,057,000**	-	-
Provision for the year	85,193	264,033	-	-
Closing balance	**1,406,226**	**1,321,033**	-	-

20. Cash and cash equivalents and restricted cash

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

	Group		Company	
	2012	2011	2012	2011
Cash in hand	84,614	94,048	231	-
Cash at banks	8,612,788	9,563,248	1,229,387	6,344,914
Total cash and cash equivalents	**8,697,402**	**9,657,296**	**1,229,618**	**6,344,914**
Restricted cash	**633,538**	**926,136**	**210,357**	**645,835**
Total cash and cash equivalents and restricted cash	**9,330,940**	**10,583,432**	**1,439,975**	**6,990,749**

Cash at banks earns interest at floating rates based on monthly bank deposit rates Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended 31 December 2012 amounted to €73,623 (2011 €96,330) for the Group, and is included in financial income (Note 10) in the accompanying income statement

Restricted cash represents funds deposited as collateral, for the issuance of bank guarantees arising in the ordinary course of the business The Group maintains several bank facilities amounted to €10 5 million for the issuance of letter of guarantees

21. Share capital, share premium and other components of equity

The movement of the Company's share capital and share premium as at 31 December 2012 is analysed as follows

2012	No of shares	share capital in €	share premium in €	Costs' related to capital increases in €	Total increase
At 1 January 2012	**31,381,623**	**94,884**	**25,376,214**	-	**25,471,098**
issued 2/4/2012	36,457	110	103,638	-	103,748
issued 10/5/2012	4,629	14	15,285	-	15,299
reversed in share premium account (note 26)	-	-	211,916	-	211,916
issued 31/7/2012	2,860,000	9,119	7,652,083	(379,835)	7,281,367
issued 25/9/2012	12,000	38	34,539	-	34,577
issued 25/9/2012	88,761	246	286,639	-	286,885
issued 25/9/2012	15,000	47	43,173	-	43,220
issued 25/9/2012	52,493	165	151,086	-	151,251
issued 15/10/2012	100,000	277	322,933	-	323,210
issued 22/10/2012	4,505	14	11,601	-	11,615
issued 31/10/2012	40,000	124	108,004	-	108,128
issued 7/12/2012	30,657	85	99,001	-	99,086
issued 7/12/2012	69,343	222	191,392	-	191,614
At 31 December 2012	**34,695,468**	**105,345**	**34,607,504**	**(379,835)**	**34,333,014**

The movement of the Company's share capital and share premium as at 31 December 2011 is analysed as follows

2011	No of shares	share capital in €	share premium in €	costs related to capital increases in €	Total increase
At 1 January 2011	**25,697,435**	**79,400**	**9,203,906**	-	9,283,306
issued 27 January 2011	36,457	106	50,791	-	50,897
issued 27 April 2011	169,230	477	228,625	-	229,102
issued 9 June 2011	200,000	560	544,732	-	545,292
reversed from share premium account (note 26)	-	-	(211,916)	-	(211,916)
issued 1 July 2011	914,865	2,287	2,954,649	-	2,956,936
issued 1 July 2011	4,363,636	12,054	13,247,613	(642,186)	12,617,481
At 31 December 2011	**31,381,623**	**94,884**	**26,018,400**	**(642,186)**	**25,471,098**

On 27 January 2011, 36,457 ordinary shares 0 25 pence each were issued at a price of £1 20 These shares were issued to the non-executive directors of the Company in consideration of the release of the Company's liability to pay a portion of their annual fee

On 27 April 2011, 169,230 ordinary shares of 0 25 pence each were issued and fully paid at a price of £1 20 pursuant to the exercise warrants The above resulted to total proceeds of €229,102

On 9 June 2011, 200,000 ordinary shares of 0 25 pence each were issued and allotted to certain eligible employees of the Company These shares were issued under the Share Incentive Plan following the achievement of the certain performance targets for the financial year ended 31 December 2010 Please refer to Note 26

On 1 July 2011, the Company issued 914,865 ordinary shares as consideration for the 100% interest in I-POP Networks Pte Ltd Please refer to Note 7

On 1 July 2011, 4,363,636 ordinary shares of 0 25 pence each were allotted and fully paid in cash at a price of £2 75 (resulting to total net proceeds of €12,617,481 (after transactions costs of €642,186)

On 2 April 2012 and 10 May 2012, 36,457 and 4,629 ordinary shares 0 25 pence each were issued at a price of £2 365 and £2 65 to the non-executive directors of the Company These shares were issued in consideration of the release of the Company's liability to pay a portion of their annual fee

On 31 July 2012, 2,860,000 ordinary shares of 0 25 pence each were allotted and fully paid in cash at a price of £2 10 (resulting to total net proceeds of €7,281,368 (after transactions costs of €379,835)

On 25 September 2012, 12,000 ordinary shares of 0 25 pence each were issued at a price of £2 295 These shares were issued to Mr Stuart Cruickshank in consideration of the release of the Company's liability to pay a portion of his annual fee

On 25 September 2012, 88,761 ordinary shares of 0 25 pence each we issued at a price of £2 92 resulting in an increase of €286,885 in share capital and share premium and an equivalent decrease in the account "other components of equity These shares were issued to the prior managing shareholders of I-POP Networks PTE LTD in respect of their contingent consideration and after achieving the performance conditions for the fiscal year 2011, under the terms of the sell and purchase agreement of I-POP Networks PTE LTD

On 25 September 2012, 15,000 ordinary shares of 0 25 pence each were issued at a price of £2 295 to certain eligible employees of the Company under the terms of the Company's share incentive plan (Note 26)

On 25 September 2012, 52,493 ordinary shares of 0 25 pence each were issued at a price of £2 295 (total amount €151,251) to the prior managing and advising shareholders of I-POP as part of the compensation package for the termination of their services as directors of I-POP Networks PTE LTD and its subsidiaries according to the sale and purchase Agreement

On 15 October 2012, 100,000 ordinary shares in total of 0 25 pence each were issued at a price of £2 92 in respect of the contingent consideration upon the acquisition of I-POP Networks PTE LTD to the prior shareholder and CEO of the company (Note 7)

On 22 October 2012, 4,505 ordinary shares of 0 25 pence each were issued at a price of £2 10 to Stuart Cruickshank as part of the compensation package for the termination of his services as a non-executive director of the Company

On 22 October 2012, 40,000 ordinary shares of 0 25 pence each were issued at a price of £2 18 to Konstantinos Korletis in accordance with the terms of an agreement by which Mr Konstantinos Korletis was appointed as the Company's Executive Chairman

On 7 December 2012, 100,000 ordinary shares of 0 25 pence each were issued to the prior shareholder and CEO of I-POP Networks PTE LTD 30,657 of these shares were issued at a price of £2 92 in respect of the contingent consideration in relation to the acquisition of I-POP Networks PTE LTD 69,343 of these shares were issued at a price of £2 16 in respect of his compensation package for the termination of his services (Note 7)

As a result of the 3,313,845 new ordinary shares issued within the year ended 31 December 2012 (2011 5,684,188 ordinary shares), the Company has a total of 34,695,468 ordinary shares of 0 25 pence each as at 31 December 2012 (2011 31,381,623), with voting rights, in issue The Company's ordinary shares have no preferences and restrictions including restrictions on the distribution of dividends

According to the Company's Annual General Meeting held on 28 June 2012, the directors of the Company have the authority to allot equity securities on a yearly basis up to an aggregate nominal amount of £31,250 (12 5 million shares)

The movement of other components of equity as at 31 December 2012 is analysed as follows

	Group	
	2012	2011
Opening balance	**936,057**	-
Contingent consideration in respect of I-POP acquisition (Note 7)		936,057
Change in contingent consideration within the year	186,737	-
Issue of 88,761 shares in respect of the contingent consideration of I-POP (Note 7)	(286,885)	-
Issue of 100,000 shares in respect of the contingent consideration of I-POP (Note 7)	(323,210)	-
Issue of 30,657 shares in respect of the contingent consideration of I-POP (Note 7)	(99,086)	-
200,000 shares awarded to the prior shareholder of I-POP as compensation (Note 7)	552,653	-
Share Incentive Plan (Note 26)	232,781	-
Closing balance	**1,199,047**	**936,057**

22. Interest Bearing Loans and Borrowings

a) Long-term loans.

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

	Group		Company	
	2012	2011	2012	2011
Bond loans	841,900	943,700	-	-
Other loans	-	41,668	-	-
Total	**841,900**	**985,368**	-	-
Less current portion				
- bond loans	(601,800)	(101,800)	-	-
- other loans	-	(41,668)	-	-
Total current portion	**(601,800)**	**(143,468)**	-	-
Long term portion	**240,100**	**841,900**	-	-

The Group has entered into two Bond Loans agreements as follows

- In March 2007 the Group entered into a Bond Loan agreement for a principal amount of €800,000 which bears interest at the six-month Euribor plus a margin of 2 3% The repayment of the Bond is in 12 semi-annual installments The first 11 installments are equal and amount to €50,900 The final installment will be made on the Bond's maturity on 20 March 2014 and amounts to €240,100 The first installment was paid on 22 September 2008
- In March 2008 the Group entered into a Bond Loan agreement for a principal amount of €500,000 which bears interest at the six-month Euribor plus a margin of 2 0% The repayment will be made by one installment on 8 April 2013

The total interest expense for long-term borrowings for the year ended 31 December 2012 amounted to €47,270 (2011 €49,712) for the Group and is included in financial expenses (Note 10), in the accompanying consolidated income statement

b) Short-term borrowings·

The Group has short-term borrowings (overdraft facilities) with annual variable interest rates which vary from 5% to 8%, The table below presents the available credit lines of the Company together with the utilized portion

	Group		Company	
	2012	2011	2012	2011
Credit lines available	**5,350,000**	**7,350,000**	-	-
Unused portion	(3,969,491)	(5,968,769)	-	-
Used Portion	**1,380,509**	**1,381,231**	-	-

The total interest expense for short-term borrowings for the year ended 31 December 2012, amounted to €116,708 (2011 €142,063) and is included in financial expenses (Note 10), in the accompanying income statements

23 Trade Payables

Trade accounts payable in the accompanying financial statements are analysed as follows

	Group		Company	
	2012	2011	2012	2011
Payables to suppliers	10,807,890	7,719,152	148,706	76,341
Amounts due to related parties	-	-	66,746	-
Total	**10,807,890**	**7,719,152**	**215,452**	**76,341**

24. Accrued and other Current Liabilities

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

	Group		Company	
	2012	2011	2012	2011
Value added tax	245,230	124,060	-	-
Social security payable	114,129	130,822	-	-
Other taxes and duties	91,891	274,153	-	-
Accrued expenses	1,315,845	6,849,513	27,158	84,592
Deferred income	-	48,622	-	-
Other current liabilities	158,869	101,848	1,018	4,785
Total	**1,925,964**	**7,529,018**	**28,176**	**89,377**

25 Employee Benefits Liability

The employee benefits liability refers only to the Greek subsidiary (InternetQ Communication and Internet services S A) since the majority of the Group's personnel are employed by the Greek entity Additionally, the Greek subsidiary supports through the employed personnel the operations of the other subsidiaries and therefore, the number of personnel and the amount of the respective reserve for the other operations are not considered to be material for the Group in total

Under Greek labor law, employees and workers are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's or worker's compensation, length of service and manner of termination (dismissed or retired) Employees or workers who resign or are dismissed with cause are not entitled to termination payments The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause In Greece, local practice is that pension plans are not funded In accordance with this practice, the Company does not fund these plans

The Group charges the income statement for benefits earned in each period with a corresponding increase in employee benefits liability Benefits payments made each period to retirees are charged against this liability For the year ended 31 December 2012, actual benefits paid amounting to €81,797 (2011 36,572) and represent compensation paid to employees of the Group for the termination of their services

The employee benefit liability has been determined based on valuations performed by AON Hewitt an accredited independent valuer, as at 31 December 2012 and 31 December 2011 and is as follows

	Group		Group	
	2012	2011	2012	2011
Present value of unfunded obligations	42,500	54,817	-	-
Unrecognised actuarial net loss	(11,037)	(27,149)	-	-
Net liability in the consolidated statement of financial position	**31,463**	**27,668**	-	-
Components of net periodic pension cost				
Service cost	10,196	9,987	-	-
Interest cost	2,522	1,837	-	-
Amortization of unrecognised actuarial loss	1,675	1,478	-	-
Regular charge to operations	14,393	13,302	-	-
Employee liability accrued for additional voluntary contributions	71,200	34,436	-	-
Reversal of excess benefits	-	-	-	-
Total charge to operations	**85,593**	**47,738**	-	-
Net liability at beginning of year	27,668	16,503	-	-
Actual benefits paid by the Company	(81,797)	(36,572)	-	-
Expense recognized in the consolidated statement of comprehensive income	85,592	47,737	-	-
Translation adjustment of foreign entity	-	-	-	-
Net liability at end of year	**31,463**	**27,668**	-	-
Net liability at start of period	54,817	39,082	-	-
Service cost	10,196	9,987	-	-
Interest cost	2,522	1,837	-	-
Benefits paid	(81,797)	(36,572)	-	-
Employee liability accrued for additional voluntary contributions	68,005	33,170	-	-
Reversal of excess benefits	-	-	-	-
Actuarial net loss	(11,243)	7,313	-	-
Translation adjustment of foreign entity	-	-	-	-
Present value of obligation at end of period	**42,500**	**54,817**	-	-
Principal Assumptions				
Discount Rate	2 70%	4 60%	-	-
Inflation Rate	2 00%	2 00%	-	-
Rate of compensation increase	3 00%	3 00%	-	-
Average remaining working life (years)	13 70	12 93	-	-

Actuarial gains/losses are amortised based on the remaining working life of the employees

26. Share based payment plans

Share incentive plan

The Company adopted the Share Incentive Plan on 6 December 2010 and amended on 19 November 2012, which will last for a period of three years commencing in 2011 Under the Share Incentive Plan, shares of the Company are granted to employees subject to satisfaction of certain performance conditions which are based on earnings-based targets The remuneration committee is responsible for defining on a yearly basis the eligible employees as well as specific earnings-based targets

For the year ended 31 December 2011 200,000 ordinary shares were issued and allotted to certain eligible employees of the Company following the achievement of certain performance targets for the financial year ended 31 December 2010 The fair value of the shares granted is the market value at the date of grant that is £2 40 (total value of shares €555,876), while the share option vests one year after the eligible employees have received the award letter on 28 March 2011 as long as they are still employed on such date The expense recognised in the income statement for the year ended 31 December 2011 is €343,960 (Note 9) while the remaining amount €211,916 is recognised in the income statement with a corresponding increase in the share premium account in the year ended 31 December 2012

For the year ended 31 December 2012, 435,000 ordinary shares were granted to certain eligible employees of the Company following the achievement of certain performance targets for the financial year ended 31 December 2011 The fair value of the shares options is the market value at the date of the grant that is £2 17

According to the amended share incentive plan in 2012, 50% of the shares will be issued to the employees 12 months after the date of the award letters on 28 03 2013, if they are still employed to the company on such date The share option vests 12 months after the issuance of shares since the employees cannot transfer or sell the shares for this period The remaining 50% of the shares will be issued 24 months after the date of the award letters on 28 03 2014, if the employees are still employed to the company in such date The share options vest 24 months after the issuance of the shares since the eligible employees cannot transfer or sell the shares for the respective period after the issuance date

According to the Company's best estimate regarding the employees which will actually receive the shares, the total value of the share options were estimated to be €911,418, while the amount of €232,781 (note 9) is included in the income statement and in the equity account "other components of equity" respectively

Moreover, within the 2012 year an eligible employee resigned and the Company's board of directors decided on 25 September 2012, to award him the share options voluntarily The company has decided to treat this award as "replacement award on termination of employment" and account for the award as forfeiture Following this, the fair value of the new share options is the market value at the date of the grant £2 295 (total value of the shares €43,220) Since the eligible employee has full entitlement of the shares, the new award is fully vested at the date of the Company's decision and expensed in the income statement (note 9)

Non-executive directors share payments

Under the Non-executive directors' deferred share plan adopted on 29 October 2011 and amended on 28 March 2012, the Company may at its discretion award shares in discharge of its obligations to pay remuneration, any Director's fee or make any other payment under their appointment letters The terms of the Non-Executive Directors share payments are determined by the Company's remuneration committee and approved by the Company's Board of Directors, on a yearly basis

For the year ended 31 December 2012, 53,086 (2011 36,457) ordinary shares were issued to the Non-Executive Directors of the Company under the terms and conditions set out in their letters of appointment These shares were issued in consideration of the release of the Company's liability to pay a portion of their annual fee The total cost recognised in the income statement amounted to €149,854 (2011 €50,897)

Furthermore, 4,505 ordinary shares were issued to Stuart Cruickshank as part of the compensation package for the termination of his services on October 2012 as a non-executive director of the Company, in lieu of the six months notice provided for in his contract The total cost recognised in the income statement amounted to €11,615

Additionally, 40,000 ordinary shares amounted to €108,128, were issued to Konstantinos Korletis in accordance with the terms of an agreement by which Mr Konstantinos Korletis was appointed as the Company's Executive Chairman on November 2012

27. Related parties

Related parties consist of companies that have a significant influence or control over the Group (shareholders) or are companies which are owned by the Group's shareholders All transactions with related parties are carried out at arm's-length and have been eliminated in the consolidated financial statements

The Company's transactions and account balances with related companies are as follows

Related party	Related with InternetQ PLC	Year ended	Sales to related parties	Purchases from Related Parties
MDI Mobile Dialogue International Limited	Subsidiary	2011	-	-
		2012	-	66,746
InternetQ Communication and internet services S A	Subsidiary	2011	-	-
		2012	-	23,043
Total		**2011**	**-**	**-**
Total		**2012**	**-**	**89,789**

Related party	Related with INTERNETQ PLC	Year ended	Amounts due from Related Parties	Amounts due to Related Parties
MDI Mobile Dialogue International Limited	Subsidiary	2011	2,411,241	-
		2012	10,635,994	66,746
InternetQ Brazil Atividates de Internet LTDA	Subsidiary	2011	20,073	-
		2012	44,786	-
InternetQ Poland Spzoo	Subsidiary	2011	793,564	-
		2012	48,097	-
Mobile Dialogue Spzoo	Subsidiary	2011	1,133,004	-
		2012	214,233	-
InternetQ Communication Services Trading LLC	Subsidiary	2011	1,217,546	-
		2012	1,060,649	-
InternetQ Communication and Internet services S A	Subsidiary	2011	6,471,059	-
		2012	8,451,720	-
InternetQ South East Asia PTE LTD	Subsidiary	2011	976,215	-
		2012	2,379,363	-
Total		**2011**	**13,022,702**	**-**
Total		**2012**	**22,834,842**	**66,746**

Terms and conditions with transactions with related parties·

Outstanding balances at the years ended 31 December 2012 and 2011 are unsecured, interest free (except from the intercompany loans) and settlement occurs in cash There have been no guarantees provided or received for any related party receivables and payables

For the years ended 31 December 2012 and 2011 the Group has not recorded any impairment of receivables relating to amounts owed by related parties This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates

The Company's majority shareholder is Mr Panagiotis Dimitropoulos, holding 52 65% of the voting shares

Salaries, fees and share incentive plans (excluding non-cash benefits and defined benefit plans)* for the members of the Board of Directors and the senior management of the Group and the Company for the years ended 31 December 2012 and 2011 are analysed as follows

	Group		Company	
	2012	2011	2012	2011
Salaries and fees for executive members of the BOD	664,770	539,426	222,477	74,045
Salaries and fees for non -executive members of the BOD	300,955	159,968	300,955	159,968
	965,726	**699,394**	**523,432**	**234,013**
Salaries and fees for senior management	319,072	449,707	196,294	-
Total	**1,284,798**	**1,149,101**	**719,726**	**234,013**

*For details of the amounts paid in relation to the defined benefit plans refer to the remuneration report

The salaries, fees and share incentive plan expenses for each director for the years ended 31 December 2012 and 2011 are analysed as follows

	Group	
	2012	2011
Konstantinos Korletis Executive (Chairman)	152,999	210,086
Stuart Cruickshank (prior Chairman)	79,837	49,562
Panagiotis Dimitropoulos (Founder and CEO)	188,899	192,441
Veronica Nocetti (Chief Financial Officer)	106,485	68,454
Michael Jolliffe (Non-executive Director)	23,120	24,977
Iain Johnston (Non-executive Director)	37,999	35,020
Robert Beveridge (Non-executive Director)	25,102	-
Total salaries and fees	**614,441**	**580,540**
Konstantinos Korletis (Executive Chairman)	-	1,970
Panagiotis Dimitropoulos (Founder and CEO)	2,526	6,840
Veronica Nocetti (Chief Financial Officer)	1,438	658
Total defined benefit	**3,964**	**9,468**
Konstantinos Korletis (Chairman)	74,319	21,465
Panagiotis Dimitropoulos (Founder and CEO)	17,667	11,647
Veronica Nocetti (Chief Financial Officer)	18,399	18,144
Total benefits	**110,385**	**51,256**
Konstantinos Korletis (Executive Chairman)	107,525	-
Stuart Cruickshank (prior Chairman)	76,001	14,403
Michael Jolliffe (Non-executive Director)	45,567	21,603
Iain Johnston (Non-executive Director)	30,376	14,403
Robert Beveridge (Non-executive Director)	10,129	-
Total Non-executive Deferred Share Plan	**269,598**	**50,409**
Panagiotis Dimitropoulos (Founder and CEO)	57,837	-
Veronica Nocetti (Chief Financial Officer)	51,025	68,445
Total Share Incentive Plan	**108,862**	**68,445**
Total salaries, fees and share incentive plans and benefits	**1,107,250**	**760,118**

On 24 October 2012, Stuart Cruickshank announced his retirement of the Company's board of directors as a non-executive chairman Konstantinos Korletis (prior chief executive officer) was promoted to the new role of Executive Chairman, while Panagiotis Dimitropoulos, (Founder of the Company) was appointed Chief Executive Officer

Directors receive a salary in equal monthly installments under each service agreement The increases applied in their basic salary are in line with the increases applied for staff throughout the Group Benefits principally comprise a company car and health insurance The directors are not entitled to any pension arrangement

Specifically, the Non-executive Directors are entitled to receive part of their fees in ordinary shares of the Company (Note 26) Moreover, their appointment is for an initial term of two to three years (commenced in December 2010) to be reviewed annually and terminable on three months' notice by the Director and six months' notice by the Company

Transactions with key management personnel

The Group's Investment property is currently rented to the Company's CFO The rent for 2012 amounted to €14,400 (2011 €10,800) and is based on normal market rates and conditions The rent is payable in a monthly basis for the duration of the contract As at 31 December 2012 there were no amounts due to the Group

Apart from the above, the Company's majority shareholder, Panagiotis Dimitropoulos, has received advances amounting to €24,000 as of 31 December 2012 (2011 € 90,000) for travelling and other business expenses These amounts are not interest bearing and are repayable on demand

28. Commitments and contingencies

a) Contingent liabilities

The Group as at 31 December 2012 has been imposed fines from Polish regulators of an amount of €188,018 (2011 €188,018) Based on updated legal advice the Group has recognised a provision of €51,830 (2011 €51,830) for the above cases as it is the best estimate given the current knowledge, facts and circumstances The Group estimates based on legal advice, that the above mentioned legal cases will be settled after one year from the reporting date

Additionally, the Group has received a number of civil court claims regarding certain mobile marketing campaigns in Poland The total amount of the claims against the Group as at 31 December 2012 is €168,000 (2011 €218,000) The Group estimates that the above mentioned legal cases will be settled after one year from the reporting date The Group' legal advisors closely monitor the abovementioned cases The Group, after taking appropriate legal advice, has assessed that the outcome of this legal claims will not give rise to any losses and consequently has not recognised any provision for the year ended 31 December 2012 The provision recognised for the year ended 31 December 2011 amounting to €14,300 which related to a specific case, was reversed during 2012 since the case was settled in favour of the Group

An entity in the Group from 2011 is a defendant in a legal action involving labor dispute with five prior employees of the Group for a total amount of €180,000 The Management believes, based on legal advice, that there is a present obligation that will probably require an outflow of resources within 12 months of the reporting date The provision as of 31 December 2012 amounted to €108,000 (2011 €55,027) The provision is included in statement of financial position under accruals and other current liabilities

The movement of the provisions for the years ended 31 December 2012 and 2011 is analysed as follows

	Group	
	2012	**2011**
Opening balance	**66,130**	**126,000**
Provision for the year	-	22,715
Reversal in the year	(14,300)	(82,585)
Closing balance	**51,830**	**66,130**

b) Commitments

Operating leases

The Group has entered into commercial operating lease agreements for the lease of office spaces and cars These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts Future minimum rentals payable under non-cancellable operating leases as at 31 December 2012 and 31 December 2011, are as follows

	Group	
	2012	**2011**
Within one year	445,456	506,714
After one year but not more than five years	813,573	926,597
More than five years	348,096	372,960
Total	**1,607,125**	**1,806,271**

Guarantees

The Group has contingent liabilities in respect of performance bank guarantees arising in the ordinary course of business These guarantees amounted to €40,000 at 31 December 2012 (2011 €50,000)

29. Financial risk management objectives and policies

Fair Value

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

The fair value of variable rate loans and borrowings approximate the amounts appearing in the statements of financial position

The table below set out a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements

	carrying amount		fair values	
Financial assets	**2012**	**2011**	**2012**	**2011**
Non-current financial assets	2,602,605	-	2,602,605	-
Trade receivables	30,406,390	12,419,804	30,406,390	12,419,804
Prepayments and other receivbles				
Accrued income	626,264	9,591,407	626,264	9,591,407
Other debtors	98,316	126,824	98,316	126,824
Current financial assets	102,519	-	102,519	-
Cash and cash equivalents	8,697,402	9,657,296	8,697,402	9,657,296
Restricted cash	633,538	926,136	633,538	926,136
Total	**43,167,034**	**32,721,467**	**43,167,034**	**32,721,467**

	carrying amount		fair values	
Financial liabilities	**2012**	**2011**	**2012**	**2011**
Trade payables	10,807,890	7,719,152	10,807,890	7,719,152
Long-term interest-bearing loans and borrowings	240,100	841,900	240,100	841,900
Current portion of long term interest-bearing loans and borrowings	601,800	143,468	601,800	143,468
Short-term interest-bearing loans and borrowings	1,380,509	1,381,231	1,380,509	1,381,231
Accrual and other current liabilities				
Accrued expenses	1,315,845	6,849,513	1,315,845	6,849,513
Other current liabilities	158,869	101,848	158,869	101,848
Total	**14,505,013**	**17,037,112**	**14,505,013**	**17,037,112**

Similarly, the table below set out a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements

Financial assets	carrying amount 2012	carrying amount 2011	fair values 2012	fair values 2011
Non-current financial assets	2,602,605	-	2,602,605	-
Prepayments and other receivbles				
Other debtors	35,356	26,874	35,356	26,874
Amounts due from related parties	22,834,842	13,022,702	22,834,842	13,022,702
Current financial assets	102,519	-	102,519	-
Cash and cash equivalents	1,229,618	6,344,914	1,229,618	6,344,914
Restricted cash	210,357	645,835	210,357	645,835
Total	**27,015,297**	**20,040,325**	**27,015,297**	**20,040,325**

Financial liabilities	carrying amount 2012	carrying amount 2011	fair values 2012	fair values 2011
Trade payables				
Payables to suppliers	148,706	76,341	148,706	76,341
Amounts due to related parties	66,746	-	66,746	-
Accrual and other current liabilities				
Accrued expenses	27,158	84,592	27,158	84,592
Other current liabilities	1,018	4,785	1,018	4,785
Total	**243,628**	**165,718**	**243,628**	**165,718**

Fair value hierarchy

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

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

As at 31 December 2012 and 31 December 2011, the Group categorised all financial assets and liabilities in level 3 as explained above

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

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

Market risk

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

Interest rate risk· Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates With respect to the long-term borrowings, management monitors on a constant basis the interest rate variances and evaluates the need for assuming certain positions for the hedging of such risks

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

Sensitivity Analysis of Group's Borrowings (short and long term) due to Interest Rate Changes

	2012		2011	
Euro	1%	22,468	1%	(37,500)
	-1%	(22,468)	-1%	37,500

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

Foreign currency risk: Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries The Group is active internationally and is exposed to variations in foreign currency exchange rate which arise mainly from Poland's ZLOTY, Turkish Lira UK pound and Singapore Dollar The Group's exposure to foreign currency changes for all other currencies is not material There is no foreign currency risk relating to financial instruments as there are no such instruments

Sensitivity analysis of Group's foreign exchange differences due to exchange rate fluctuations

	2012		2011	
Poland ZLOTY	1%	12,866	1%	3,960
	-1%	(12,866)	-1%	(3,960)
Turkish Lira	1%	(3,465)	1%	(5,446)
	-1%	3,465	-1%	5,446
UK pound	1%	225,743	1%	107,921
	-1%	(225,743)	-1%	(107,921)
Singapore Dollar	1%	47,030	1%	18,812
	-1%	(47,030)	-1%	(18,812)
Total	**1%**	**282,173**	**1%**	**125,248**
	-1%	**(282,173)**	**-1%**	**(125,248)**

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

The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at 31 December 2012 and 31 December 2011, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying statements of financial position

Country risk

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

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

However, up until now the Group estimates that the negative economic climate in Greece as well as in Cyprus (please also refer to Note 30 - Events after the reporting period) will not significantly affect overall the Group's operations, financial position and liquidity, as well as the Group's assets carrying values As at 31 December 2012, revenues generated in Greece amounted to €3 2 million accounting for 4% of the total revenues of the Group Therefore, a decrease in revenues and profit margin generated in Greece would not have a significant impact on the Group's financial position and performance

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

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

The table below summarizes the maturity profile of financial liabilities at 31 December 2012 and 2011 respectively, based on contractual undiscounted payments

Group

2012	On demand	Less than 6 months	6 to 12 months	1 to 5 years	Total
Bank debt	1,380,509	614,290	106,481	139,849	2,241,129
Trade payables	-	10,807,890	-	-	10,807,890
Accruals and other liabilities	-	1,448,600	8,377	17,737	1,474,714
Total	**1,380,509**	**12,870,780**	**114,858**	**157,586**	**14,523,733**

2011	On demand	Less than 6 months	6 to 12 months	1 to 5 years	Total
Bank debt	1,381,231	83,899	80,213	931,204	2,476,547
Trade payables	-	7,719,152	-	-	7,719,152
Accruals and other liabilities	-	6,999,983	-	-	6,999,983
Total	**1,381,231**	**14,803,034**	**80,213**	**931,204**	**17,195,682**

Company

2012	On demand	Less than 6 months	6 to 12 months	1 to 5 years	Total
Bank debt	-	-	-	-	-
Trade payables	-	215,453	-	-	215,453
Accruals and other liabilities	-	28,176	-	-	28,176
Total	-	**243,629**	-	-	**243,629**

2011	On demand	Less than 6 months	6 to 12 months	1 to 5 years	Total
Bank debt	-	-	-	-	-
Trade payables	-	76,341	-	-	76,341
Accruals and other liabilities	-	89,377	-	-	89,377
Total	-	**165,718**	-	-	**165,718**

Capital management

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

EBITDA is defined by adding back to (or subtracting form) profit after tax, income tax, finance costs and finance income and depreciation and amortization expenses

	Group	
	2012	2011
Long-term borrowings (note 22)	841,900	985,368
Short-term borrowings (note 22)	1,380,509	1,381,231
Total Debt	**2,222,409**	**2,366,599**
Less cash and cash equivalents (note)	-8,697,402	-9,657,296
Net (funds)/debt	**(6,474,993)**	**(7,290,697)**
EBITDA	10,576,979	6,458,113
Net debt to EBITDA	**(0 61)**	**(1 13)**

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

	Group	
	2012	2011
Profit /(loss) after income tax	6,001,700	2,420,719
Income tax	899,587	840,099
Finance costs	586,818	1,042,659
Finance Income	(361,065)	(288,023)
Depreciation and amortization	3,449,939	2,442,659
EBITDA	**10,576,979**	**6,458,113**

30. Events after the reporting period

The Cypriot crisis entails unique features and the impact of them should be highlighted

The Company's subsidiary located in Cyprus, mainly handles the Group's operations in Africa and in the Middle East as well as the management of the marketing expenses related to the Akazoo business The company does not actually have any operations in Cyprus or any transactions other than the ones related with its employees and local service providers

Moreover the announced haircut, for bank deposits above €100,000, will not significantly impact the financial position and performance of the Group considering the fact that Group's total cash deposits in Cyprus at that period amounted to €264,343, (1% of the Group's cash and cash equivalents as at 31 December 2012) and therefore, the total possible amount converted to BOC shares is approx €69,518 while the amount of €41,710 will be turned into special BOC instrument which may be used in its entirely or partially to capitalise at a later stage, and the amount of €74,152 will be locked at the moment and will be released at a later date

Directors

Konstantinos Korletis
[Chairman]

Panagiotis Dimitropoulos
[Founder & CEO]

Veronica Julia Nocetti
[Chief Financial Officer]

Iain Barrie Johnston
[Non-executive director]

Michael Gordon Jolliffe
[Non-executive Director]

Robert Beveridge
[Non-executive Director]

Company Secretary
Philip Rogers

Registered Office
St Botolph Building, 138 Houndsditch,
London EC3A 7AR,
United Kingdom

Registered Company Number
5512988

Nominated Adviser
RBC Capital Markets

Solicitors of the Company
Clyde & Co LLP

Financial Public Relations
Buchanan Communications Limited

Registrar
Share Registrar Limited

ISIN Number
GB00B5BJJR09

Tradable instrument
Display mnemonic
INTQ

Website
www internetq com