Ayima Group AB (publ)

Corp. ID no. 559095-9291

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR 2017

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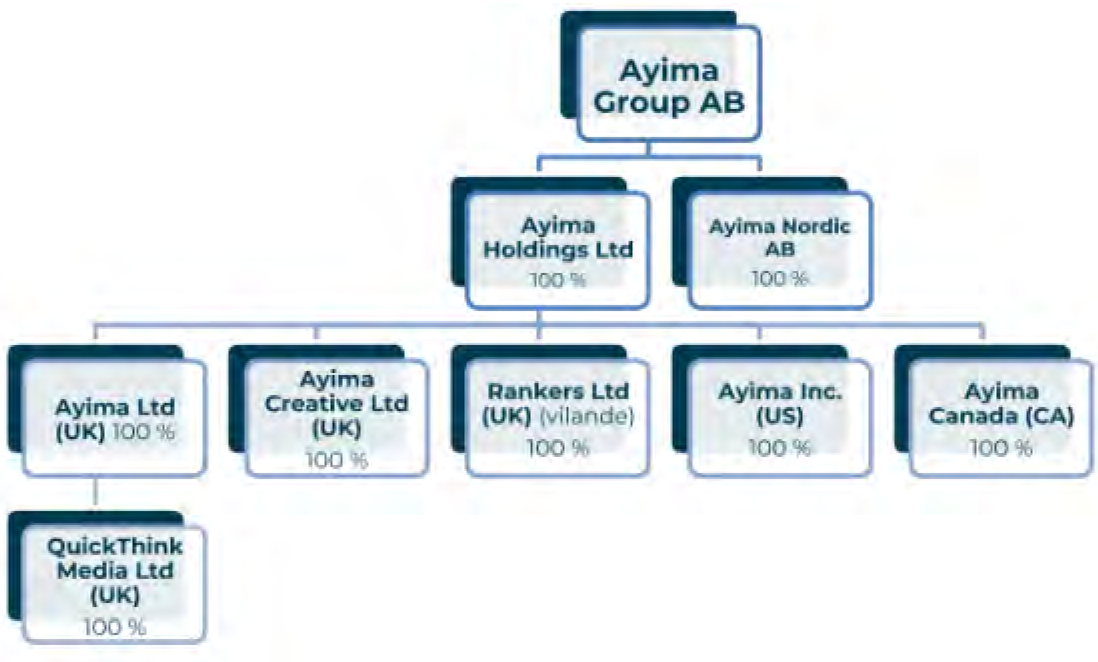
Administration report

Information on the business

Ayima Group AB with org. no. 559095-9291 and registered office in Stockholm is the parent company of a group comprising the subsidiaries Ayima Holdings Limited with registration number 10353201 and the Swedish subsidiary Ayima Nordic AB with org. no. 556876-7510. The subsidiary Ayima Holdings Ltd is active in London with the 100% owned subsidiaries Ayima Ltd, Ayima Creative Ltd, Rankers Ltd (dormant), Ayima Inc. and Ayima Canada. Ayima Holdings Ltd and Ayima Nordic AB are wholly owned by the parent company.

The parent company currently operates as holding company and its subsidiaries are operating companies providing services in digital marketing. The purpose of this structure is that, in the future, the Company will be able to easily acquire subsidiaries without significantly affecting existing companies' operations. The group was formed 2017-01-31.



Business description

Ayima was founded in 2007 by four former PartyGaming PLC employees; Mike Jacobson, Mike Nott, Rob Kerry and Tim Webb, the founders are still active in the company ten years later. Ayima focuses on helping well-known customers boost their sales by achieving better search results locally and globally on search engines such as Google, Yahoo! and Bing. The original idea was to offer high quality SEO in sectors other than the gaming industry where search engine optimisation strategy was already well established as a marketing technique. At present, the company has customers in many different industry segments, such as: gaming, finance / insurance, retail, telecommunications, travel / leisure, pharmaceutical information, education, publishing and lead generation.

Since its foundation, Ayima has focused on developing technology and services through its in-house team, which it offers its customers, and the company has grown organically until 2017 without external investments. Ayima, unlike its competitors, has a very close relationship with its customers to optimise the work and allow its employees to consult internally with their customers. All technology and IP used to deliver services to its customers is owned by Ayima, who continuously works to develop its own search tools and software systems.

In June 2016, Ayima's service offering was expanded with the acquisition of the customers and key personnel in QuickThink Media from Gaming Realms PLC, listed on the London Exchange Stock Market AIM. Quickthink Media was formed in 2008 and is a leading UK player in the field of Paid Media ("PM") focusing on advertising on online platforms like Google and Facebook, this complements Ayima's service offering to become a complete provider of search and digital marketing services. With the acquisition of QuickThink Media Limited, Ayima can fully exploit QTM's relationships with online advertising platforms created over the years and offer full customer service. In February 2017, Ayima Limited acquired all shares in QuickThink Media Limited (QTM), which was the last step in the transaction.

Ayima is a fast growing digital advertising agency with approximately 150 employees (including consultants) headquartered in London and offices in, among others, New York, Stockholm, San Francisco, Raleigh and Vancouver.

The company's first customer was PokerStars (now Stars Group PLC) and was followed quickly by O2 Telefonica (telecommunications) and Aviva (insurance) and other well-known UK brands. The gaming industry still accounts for a large part of Ayima's customer base and its experience is leading in this sector, and the company has worked with, among others, Pokerstars, Betfair, Bwin, Gala, Paddypower, Foxy Bingo, Mansion, Lottoland, InterCasino and Gaming Realms.

Ayima has built market-leading IT search tools used by thousands of SEM experts. The company has a powerful proprietary crawler, Ayimabot, who searches over 20 million websites daily and ranks about 750,000 keywords from 134 different search engines. The IT search tools that the company uses and offers are Ayima Reporting Tool (ART), Ayima Pulse, Appotate, Ayima Redirect Path., Ayima Spark, Updatable and Ayima Query.

In the fourth quarter of 2016, a large customer (Verizon) decided to terminate most of its agreements with Ayima. At that time, Verizon accounted for approximately 28% of the company's revenues. The financial results fell sharply during the fourth quarter of 2016, but despite the loss of the largest agreements the company had with the customer, the company reported a profit of just over 6.6 MSEK for 2016. As there was great potential for new business in progress, it was decided not to restructure or reduce the number of employees in the Group but to focus on rebuilding revenues through sales.

Since then, the company has won many new customer contracts and revenues have increased by 9% YoY.

By the end of 2017, we can see positive effects of the acquisition of QuickThink Media in June 2016 on Ayima and its operations. The proportion of Paid Media revenues increased to 47% in 2017 from 25% last year. We believe that the distribution of revenue will remain balanced over time and we will continue to see the synergies and strengths of the company's sales with this expanded range of services.

Ayima’s offices

Products & Services

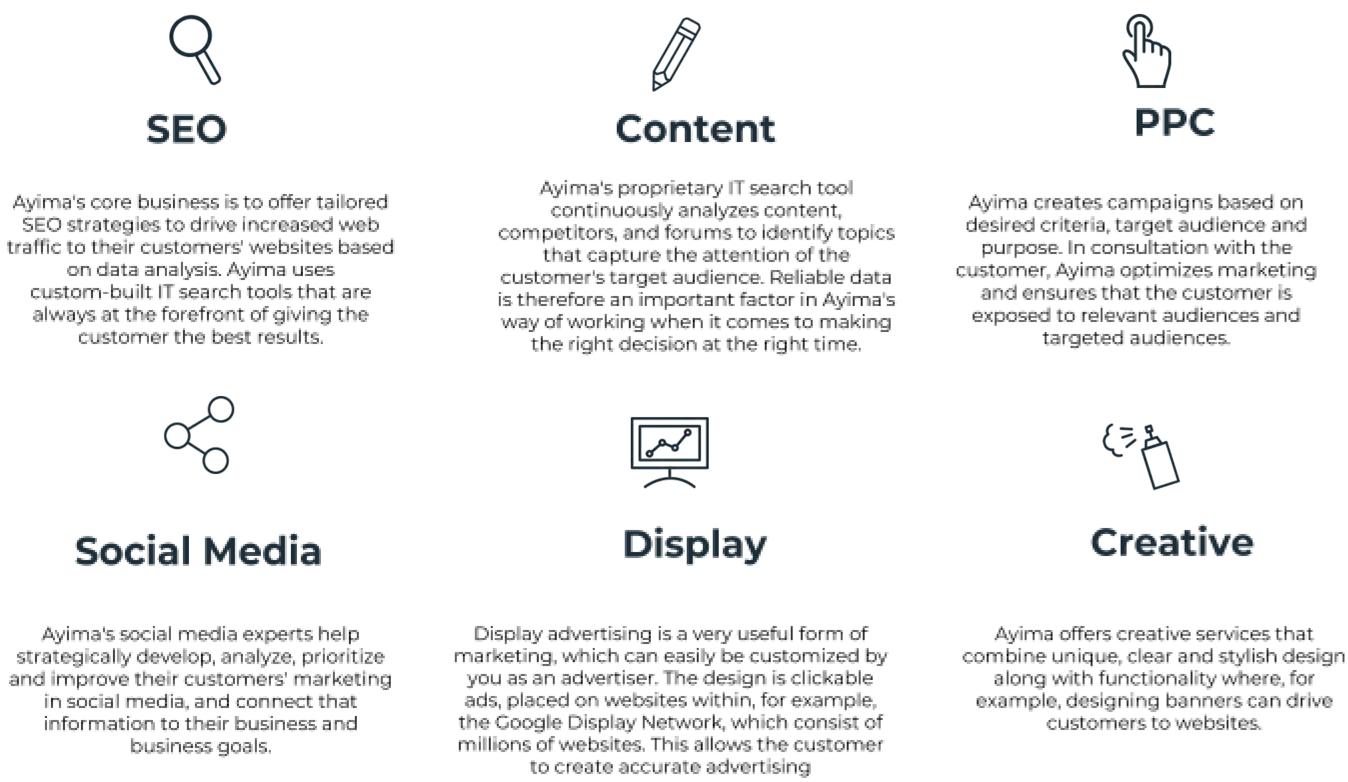
Ayima started as a search engine optimization consultancy (SEO), which means that the company offers its customers various services to improve their websites from a search-strategic perspective. The goal is to improve customer visibility from a brand perspective and sales from a financial perspective by optimising their websites.

Ayima primarily offers the following services and products:

- SEO (Search Engine Optimisation)
- Paid Media (Social Media Marketing, PPC and Display)
- Content Development
- Creative (Website design and Build)

SEO involves optimizing a website to make it as visible as possible in search engines such as Google. The customer's brand can thus be strengthened by appearing more prominently on relevant keywords and this helps to gain organic reach to its potential customers. Ayima strives for the customer's website to appear high in the organic search result. This, in turn, will lead to more relevant visitors and more conversions for the customer and more visitors to the website.

In order for a website to be found and ranked as high as possible in eg. Google search fields clients can optimise a number of technical factors on the website for best search results. Ayima analyzes site structure and size, HTTP status codes and URL structure to optimise the sites and generate the best results for their customers. Ayima has therefore developed analytical products that both themselves and competitors use when working with their customers, including Ayima Reporting Tool (ART), Ayima Pulse, Appotate, Redirect Path, Ayima Query and Ayima Spark. Ayima's basic principle when working with its customers is to make all decisions based on data they analyze. Ayima has been at the forefront of their link strategies early on and updates link strategies several times a year after signals indicating algorithm changes in search engines.



Technology

Ayima is a technology-leading digital marketing agency, where all the technology used in the company's employees work has been developed "in-house" at the London-based headquarters.

Behind Ayima is a strong team with long and unique experience in SEO and software development. Ayima was originally supposed to be a new start-up search engine in 2002 by Mike Nott and Tim Webb, and they had the vision of competing with the major search engines Yahoo and Alta Vista. After some initial successes and a "failure" after the emergence of Google, the project Ayima was set aside when they started working at PartyGaming plc in 2004, building a strong "in-house" team in SEO together with SEO expert Rob Kerry. Mike and Tim's experience of actually building a search engine and its challenges was the key to their understanding of search engine functionality and they took this knowledge forward and implemented it in the search engine optimization area.

Ayima has developed software systems where Data generation is the basically most continuously developed product the Company has, in order to support the Company's services and strengthen all decisions Ayima’s SEO specialists make. Ayima has among other things developed a powerful crawler, Ayimabot, capable of rendering HTML and JavaScript analyzing over 15 million URLs. The company owns over 200 servers used and up to 1,000 cloud services are used to crawl, index and report; everything in order to deliver and manage the amount of data Ayima offers its customers.

The company's internal IT search engine that is continuously developed in-house analyzes competitive behavior to provide a unique insight into the competitor's strategy, enabling the customer to make great decisions and increase traffic to the customer's website. The company's reporting tool, ART, is a comprehensive solution for the customer as they will follow up on how the chosen SEO strategy is implemented.

Product development

“Updatable" is Ayima's first SaaS product that enables marketers to" break out "from their company's CMS or locked platforms. The biggest cause of frustration for both marketers and SEO specialists is that you can not implement technical SEO changes, leading to lost potential revenue generated from SEO.

By using "Updatable" on a website platform, the Marketing and IT department allows any company to update their website content, HTML code, and URL and site structure, and redirects without touching CMS or the underlying platforms.

Ayima has expanded its Data Science offering with the addition of its first in-house computer scientist who creates and focuses AI and Machine Learning (ML) efforts on Ayima's global business to reveal new insights and ultimately optimize the company's digital marketing practices.

Ayima is developing a customized AI platform, the tool, which will be rolled out in 2018, enables machine learning analysis and optimization under all global operations for staff to use at any time during the campaign journey.

AYIMA'S PROPRIETARY PRODUCTS

Ayima's SEO Specialists and Customers use Ayima RT to, among other things, track changes in keyword rankings, traffic and website authority.

479 brands

tracked

4058

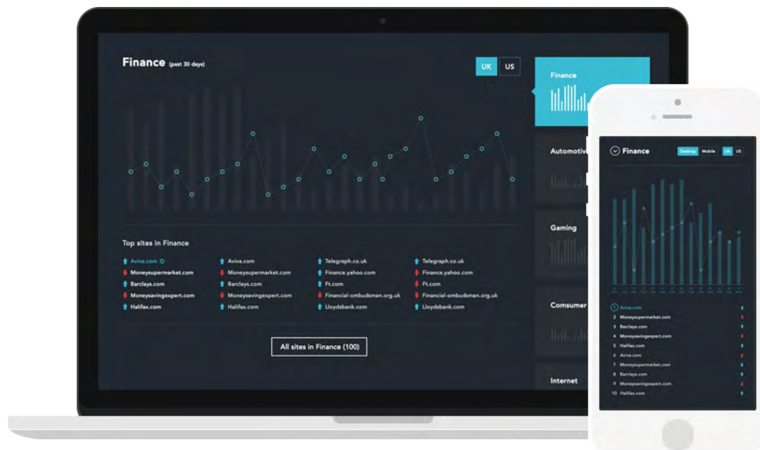
Intelligence reports

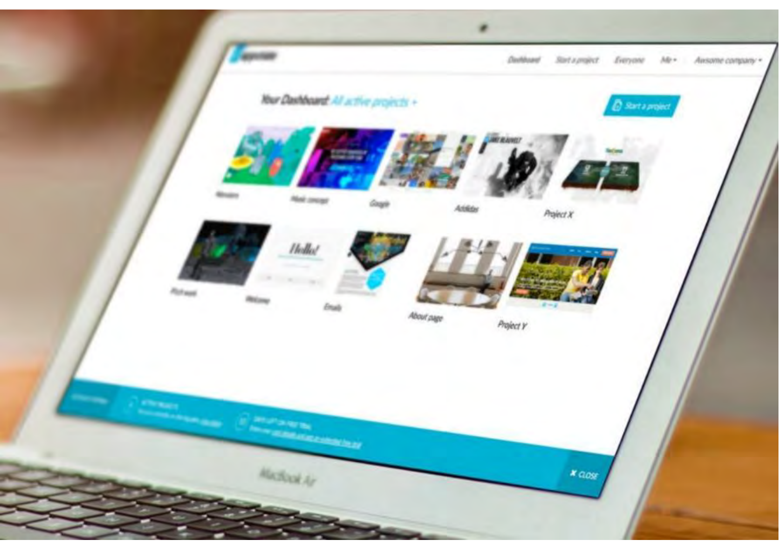
1.1 m keyword

Rankings tracked

Ayima's internal data and search engineers have developed Ayima Pulse that offers extensive market in depth analysis in order to help the customer to change and optimize his SEO strategy.

This tool can track over 50,000 keywords in ten different areas, showing changes over 30 days, which means that Ayima can present which keywords are relevant to the customer's SEO.





Appotate is a communication tool that helps programmers communicate with their customers. The tool enables both parties to make notes of changes directly to the site through "pop-up boxes" for comments. The tool makes communication in web development faster and easier.

Redirect Path

Redirect Path is free to the public, and the customer can detect the HTTP header and redirection errors that this could otherwise have missed. This way you can clearly see what needs to be addressed. Redirect Path has over 100,000 free downloads on Chrome.

Clients

Ayima currently has over 45 customers around the world in many different sectors: gaming, finance / insurance, retail, telecommunications, travel / leisure, pharmaceutical information and lead generation. Since its inception, the company has had clients such as British Airways, Verizon, Betfair and Bwin.Party.

Multi-year summary, Group*

	Group		Parent Company
	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016	1 Jan 2017 31 Dec 2017
Amounts in kSEK			
Profit/loss			
Revenue	129,491	121,186	25
Operating profit/loss	-17,246	5,519	-876
Profit/loss for the period	-10,720	7,023	-859
Financial position			
Total assets	72,951	41,084	15,672
Equity	46,387	24 301	15,376
Equity ratio, %	64%	58%	98%

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

The equity ratio is defined as equity plus untaxed reserves minus the tax component of untaxed reserves in relation to total assets.

Significant circumstances and events

In January 2017, Ayima Group AB (publ) acquired the British company Ayima Holding Limited with its subsidiaries. The acquisition took place through an issue in kind and was handled in the accounts as a so-called reverse acquisition, which means that the acquisition analysis and consolidated income statement and balance sheet were prepared based on Ayima Holding Limited being the Parent Company. Comparative figures for the consolidated financial statements refer to Ayima Holding Limited with subsidiaries as Ayima Holding Limited’s financial statements were previously presented for the respective period. Ayima Group AB (publ) is included in the consolidated financial statements as of the acquisition date, i.e. January 2017.

Ayima announced on 2017-12-18 that we are now the official Search Engine Optimization (SEO) and Digital partner of the Canadian Marketing Association (www.the-CMA.org). As well as providing SEO and other digital marketing services directly to the CMA, the two parties have signed a marketing co-operation agreement that will see Ayima working with the CMA on a variety of co-branded events and other marketing initiatives throughout the coming year.

Future development

Ayima's goal for 2018 is continued growth and expansion, through new client contracts and strategic acquisitions. Improvement to cashflows and carefully monitoring and controlling costs to maximise operating margins. With growth strategy and cost control in place, we expect Ayima to be profitable in 2018 and return a good earnings per share to our investors.

We have signed agreements with new customers, which come into force from February, and there are no planned increases in operating expenses in the coming year. Therefore, the positive trend in EBITDA continues and the company expects to make a profit in 2018.

We look at potential acquisitions that have strong margins and positive cash flow. Acquisitions will largely be financed by equity, which will affect future borrowing, but will increase cash flow and available working capital.

Financial risk management

The Group's risk management is coordinated at its head office, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets.

For a further description of the Group's financial risk management, please refer to the section Financial risk management, Note 3, among the supplementary disclosures.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Operational risks and uncertainty factors

Clients

Customers of Ayima can contribute risk factors of various kinds. If a client represents a high proportion of revenue for the group, there is a risk that the business will be impacted if that client cancels their agreement. Ayima distributes revenue from many different clients of varying sizes, on long term contracts, with a review and risk assessment if a client represents more than 10% of the total fee income for the group. Ayima teams have regular meetings with clients for both agreeing and setting out tasks and roadmaps for future work to be undertaken and reporting on work completed. We communicate with most clients on a daily basis providing updates and answering questions. With good communication Ayima is constantly aware of the status of all clients and ensures that the good relationships are maintained and any issues addressed and resolved with minimum delays.

Client losses: contracts are usually for a minimum of 12 months, renewals are automatic, and if necessary, agreed well in advance of contract end dates, there are minimum notice periods in every contract.

Staff

At the end of the year, the Group had approximately 150 employees. This includes both full-time permanent and part-time employees and consultants on longer contracts. To build a strong culture around the company, Ayima has developed strong management systems and evaluation systems for the Company employees and the company has very low staff turnover for the industry, which means that Ayima loses very little expertise and knowledge through employee losses.

Contract disputes

Ayima is careful when establishing customer agreements. The agreements are based on email conversations, meetings and telephone calls and scope of work is agreed in writing according to customer needs. Standard legal templates for client contracts have been developed with external legal advice in the appropriate jurisdictions. Throughout Ayima's over 10-year history, the Company has never been had action taken against it for failure to deliver on a contract.

Liability risks

Ayima is certified ISO 27001, which confirms that there are policies and procedures that apply to all aspects of the work being carried out, we are also PCI-compliant and guarantee the highest level of security for all data on our systems.

Ayima has robust insurance policies in place for all of its subsidiaries covering Professional Indemnity, and Errors and Omissions.

Staff and environmental information

The average number of Full Time employees was 94 (74) people.

The group does not have any licensed operations.

Research and Development

Total capitalized costs for capitalized development expenses amounted to SEK 4,146 thousand (4 457) during the year. Expenses related to research and development amounted to SEK 3,004 thousand (2,733) during the fiscal year,

Capitalisation of internally developed software takes place when all the requirements set out in note 2.5 are met. To distinguish research phases from development phases in new projects and to assess whether the requirements for capitalization of development costs are met, require estimates and assessments, which are described in more detail in Note 4.

Ownership structure

Owner list with largest owners

Shareholding at 2017-12-31	No A Shares	No B Shares	Control (%)	Capital (%)
New Equity Ventures	-	1 250 118	17.8	23.9
Michael Jacobson	66 666	840 560	21.4	17.3
Michael Nott	66 667	820 666	21.1	17.0
Timothy Webb	66 667	870 921	21.9	17.9
Gaming Realms PLC**	-	347 487	4.9	6.6
Digital Spine AB***	-	16 500	0.2	0.3
Ayima EBT	-	323 502	4.6	6.2
Others	-	565 246	8.0	10.8
Total	200 000	5 235 000	100,00	100,00

* 100 % owned by New Equity Ventures Group
** London-based company listed on the London Stock Exchange Aim
***Controlled by Björn Mannerqvist
**** Ayima EBT established for 8 key employees in the Company

Ayima has an Enterprise Management Incentives Scheme (EMI), in which shares were issued to key personnel in the UK. The shares are managed by the employees of the Ayima Employee Benefit Trust 2011 (EBT). A total of 323,502 shares are owned by the EBT as at 31 December 2017.

Proposed appropriation of earnings at the 2018 AGM

The Board of Directors proposes that the unappropriated earnings as at 31 December 2017, SEK 10,141,370, be carried forward.

For changes in equity during the financial year, please refer to the Consolidated and Parent Company statements of changes in equity.

Otherwise, please refer to the following financial statements with notes.

Consolidated income statement*

Amounts in kSEK	Note	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Revenue	5	129,491	121,186
Other operating income		80	–
Total		129,571	121,186
Operating expenses			
Direct expenses		-60,793	-44,513
Other external expenses	6, 20, 25	-24,163	-21,230
Employee benefits	7	-59,773	-48,701
Depreciation and amortisation Tangible and Intangible assets	9.10	-2,088	-1,224
Other operating expenses		–	–
Total operating expenses		-146,817	-115,667
Operating profit/loss		-17,246	5,519
Financial income	25	18	0
Financial expenses	25	-258	-27
Result from financial items		-241	-27
Profit/Loss before tax		-17,487	5,491
Deferred tax	8	4,884	–
Income tax	8	1,883	1,532
Profit/Loss for the year		-10,720	7,023
Profit/Loss for the year attributable to:			
Shareholders of Parent Company		-10,720	6,886
Non-controlling interests		–	137
Earnings per share before dilution, SEK		-2.05	1.32
Earnings per share after dilution, SEK		-2.05	1.32
No. of shares before dilution		5,235,000	5,235,000
No. of shares after dilution		5,235,000	5,235,000

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

Consolidated statement of comprehensive income

Amounts in kSEK	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Profit/Loss for the year	-10,720	7,023
Other comprehensive income for the year:		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Translation differences in translation of foreign operations	-640	-145
Other comprehensive income for the year, net of tax	-640	-145
Total comprehensive income for the year	**-11,359**	**6,878**
Total comprehensive income attributable to:		
Shareholders of Parent Company	-11,359	6,741
Non-controlling interests	–	137

Consolidated statement of financial position*

Amounts in kSEK	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Goodwill	9	22,619	1,532
Capitalised development expenditures	9	8,465	4,457
Customer contracts	9	5,161	6,276
Other intangible assets	9	74	84
Tangible assets	10	3,105	3,819
Financial assets at fair value through profit or loss	11	2,776	2,894
Deferred tax assets	8	4,298	–
Total non-current assets		46,498	19,062
Current assets			
Trade receivables	12	16,926	12,590
Current tax assets	8	1,905	1,553
Other receivables	13	5,315	4,955
Prepaid expenses and accrued income	14	1,434	1,426
Cash and cash equivalents		874	1,497
Total current assets		26,453	22,022
TOTAL ASSETS		72,951	41,084

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

Consolidated statement of financial position*, cont.

Amount in kSEK	Not	31 Dec 2017	31 Dec 2016
Equity			
Share capital	15	5 235	1
Other paid in capital		34 831	6 250
Reserves		-785	-145
Retained earnings including result for the year		7 054	18 664
Non-controlling interests		–	-469
Total equity		46 335	24 301
LIABILITIES			
Non-current liabilities			
Borrowings	16	1 217	–
Deferred tax liabilities	8	282	957
Total non-current liabilities		1 499	957
Current liabilities			
Borrowings	16	4 582	3 298
Trade payables		11 379	5 863
Current tax payables		12	0
Liabilities to related parties		52	–
Other liabilities	17	6 286	5 431
Deferred income and accrued expenses	18	2 807	1 233
Total current liabilities		25 117	15 825
TOTAL EQUITY AND LIABILITIES		72 951	41 084

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

Consolidated statement of changes in equity

	Share capital	Other paid in capital	Reserves	Retained earnings including profit or loss for the year	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2016	1	–	–	11,777	11,778	-605	11,173
Comprehensive income							
Profit/Loss for the year				6,886	6,886	137	7,023
Other comprehensive income							
Translation differences in translation of foreign operations			-145		-145		-145
Total comprehensive income	–	–	-145	6,886	6,741	137	6,878
Transactions with shareholders							
New share issue	0	6,250			6,250		6,250
Total	0	6,250	–	–	6,250	–	6,250
					–		
Balance at 31 Dec 2016	1	6,250	-145	18,664	24,770	-469	24,301

Consolidated statement of changes in equity, cont.

	Share capital	Other paid in capital	Reserves	Retained earnings including profit or loss for the year	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2017	1	6,250	-145	18,664	24,770	-469	24,301
Comprehensive income							
Profit/Loss for the year				-10,720	-10,720		-10,720
Other comprehensive income							
Translation differences in translation of foreign operations			-640		-640		-640
Total comprehensive income	–	–	-640	-10,720	-11,360	–	-11,359
Transactions with shareholders							
Effect of reverse acquisition	49	17,581		-889	16,740	469	17,209
Issue in kind	3,500						
New share issue	1,685	12,500			14,185		14,185
Issue expenses		-1,500			-1,500		-1,500
Total	5,234	28,581	–	-889	29,425	469	29,894
					–		
Balance at 31 Dec 2017	5,235	34,831	-785	7,054	46,335	–	46,335

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

Consolidated statement of cash flows*

Amounts in kSEK	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Cash flow from operating activities		
Operating profit/loss	-17 246	5 519
Adjustment for non-cash items		
- Depreciation and amortisation	2 088	1 224
- Unrealised exchange-rate differences	-412	–
- Other non-cash items	1 195	-143
Interest received	18	0
Interest paid	-258	-27
Tax paid	10	1 357
Cash flow from operating activities before change in working capital	-14 606	7 930
Changes in working capital		
Increase/decrease in operating receivables	-3 943	-4 228
Increase/decrease in operating liabilities	7 594	5 281
Cash flow from operating activities	-10 955	8 983
Cash flow from investing activities		
Investments in intangible assets	-4 245	-4 457
Investments in tangible assets	-674	-3 239
Investments in financial assets at fair value	–	-2 894
Cash flow from investing activities	-4 919	-10 590
Cash flow from financing activities		
New share issue	14 185	–
Issue expenses	-1 500	–
Borrowings (note 16)	2 634	2 229
Cash flow from financing activities	15 319	2 229
Cash flow for the period	-555	622
Cash and cash equivalents at beginning of the period	1 497	875
Exchange-rate differences in cash and cash equivalents	-68	–
Cash and cash equivalents at end of period	874	1 497

* Comparative figures for the consolidated financial statements for Ayima Holding Limited with subsidiaries, where Ayima Group AB (publ) is not included.

Parent Company income statement

Amounts in kSEK	Note	IFRS (RFR 2) 3 Jan 2017 31 Dec 2017
Operating income		
Revenue		25
Total income		25
Operating expenses		
Other external expenses	6, 20,25	-901
Total operating expenses		-901
Operating profit/loss		-876
Other interest income and similar profit (loss) items	25	18
Interest expense and similar profit (loss) items		-
Result from financial items		18
Profit/Loss for the year		-859

Par ent Company statement of compr ehensive income

	Note	3 Jan 2017 31 Dec 2017
Profit/Loss for the year		-859
Other comprehensive income for the year, net of tax		–
Total comprehensive income		-859

Parent Company balance sheet

Amounts in kSEK	Note	IFRS (RFR 2) 31 Dec 2017
ASSETS		
Non-current assets		
Financial assets		
Participations in Group companies	24	3,526
Total financial assets		3,526
Total non-current assets		3,526
Current assets		
Current receivables		
Receivables from Group companies		11,719
Other receivables	13	294
Prepaid expenses and accrued income	14	55
Total current receivables		12,068
Cash and cash equivalents		78
Total current assets		12,146
TOTAL ASSETS		15,672

Amounts in kSEK	Note	IFRS (RFR 2) 31 Dec 2017
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	15	5,235
Total restricted equity		5,235
Non-restricted equiy		
Share premium reserve		1, 000
Profit/loss for the year		-859
Total non-restricted equity		10,141
Total equity		15,376
Current liabilities		
Trade payables		243
Liabilities to group companies		52
Total current liabilities		295
TOTAL EQUITY AND LIABILITIES		15,672

Parent Company statement of changes in equity

	Restricted equity	Non-restricted equity			
Amounts in kSEK	Share capital	Share premium reserve	Retained earnings	Profit/ Loss for the year	Total equity
Equity at 1 Jan 2017	–	–	–	–	–
Formation of Ayima Group AB (publ)	50				
Comprehensive income					
Profit/Loss for the year				-859	-859
Total comprehensive income	–	–	–	-859	-859
Transactions with shareholders					
Issue in kind	3,500				
New share issue	1,685	12,500			14,185
Issue expenses		-1,500			-1,500
Total transactions with shareholders	5,185	11,000	–	–	16,237
Equity at 31 Dec 2017	5,235	11,000	–	-859	15,376

NOTES

Note 1 General information

Ayima Group AB (publ) with subsidiaries ("Ayima" or "the Group") provides services in digital marketing. The Parent Company is a limited company registered in Sweden with its registered offices in Stockholm.

The Group's head office is located in London at 1 Lindsey Street, EC1A 9HP.

The new Group arose on 31 January 2017 when Ayima Holdings Limited with subsidiaries was acquired through an issue in kind. The acquisition has been recognised as a reversed acquisition, which means that Ayima Holdings Limited is seen as the accounting acquirer and Ayima Group AB (publ) is seen as the acquired company. Payment was made by shares being issued in Ayima Group AB (publ) to the previous owners in Ayima Holdings Limited. Also see Note 21. Comparative figures for the Group pertain to Ayima Holdings Limited and the entire profit/loss is included in 2017 for Ayima Holding Ltd. Ayima Group AB (publ) and Ayima Nordic AB are included in the Group as of the acquisition date of 31 January 2017.

On 9th of April 2018, these consolidated financial statements were approved by the Board for publication.

All amounts are presented in thousands of Swedish kronor (kSEK) unless otherwise stated. The annual report and consolidated financial statements with associated notes were prepared in whole SEK, but presented in kSEK in the annual report. For this reason, the sum of subitems presented may deviate by kSEK 1-2.

Ayima Holdings Limited previously prepared its reports in accordance with International Financial Reporting Standards (IFRS), which is why this report for the new Group is not seen as a transition to IFRS. Figures from previous years were previously made public in interim reports and prospectuses published by the company. The Parent Company Ayima Group AB (publ) has applied IFRS since it was formed in January 2017.

Note 2 Summary of important accounting principles

2.1 Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) as adopted by the EU and RFR 1 Supplementary Accounting Rules for Groups.

Assets and liabilities are recognised at historical cost.

The most important accounting principles applied in the preparation of these consolidated accounts are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make certain assessments in applying the Group's accounting principles. The areas involving a high degree of complex assessments, or such areas where assumptions and estimates are of material significance to the consolidated financial statements, are specified in Note 4.

The Parent Company's financial statements have been prepared in compliance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. Where accounting principles applied by the Parent Company are different to those applied by the Group, this is disclosed separately at the end of this section on accounting principles.

New and revised standards to be applied by the Group in the current period

All standards that entered into effect in 2017 were applied in the consolidated financial statements.

Standards, revisions and interpretations of existing standards that enter into effect in 2017 or later and are deemed to be able to have or have an impact on the financial statements

In the preparation of the consolidated financial statements as at 31 December 2017, several standards and interpretations had been published which enter into effect in 2018 or later. A summary is provided below of the most significant new standards and/or changes to existing standards deemed to be able to be applicable to the Group in future financial statements.

None of the standards stated below will be applied in advance by the Group.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the sections of IAS 39 that handle classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach but simplifies this approach in certain respects. IFRS 9 also introduces a new model for the calculation of credit loss reserves based on anticipated credit losses. Classification and measurement are not changed for financial liabilities, except in the case where a liability is recognised at fair value through the income statement based on the fair value alternative. This standard must be applied to financial years that begin on 1 January 2018. Early application is permitted.

Management have considered the implications and IFR S 9 and concluded that the impact on the Group is relatively low and no changes are required to accounting policies to comply with the requirement of the new standard. This has been based on the following assessments.
- The Group only holds basic financial instruments.
- The Group doesn’t not have any material credit losses.
- They do not engage in currency hedging, hedge accounting or derivatives.
- The business model is classified as "Hold to collect contractual cash flows".

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers regulates how revenue is to be recognised. The principles on which IFRS 15 is based shall give users of financial statements more useful information about the company’s revenues. The expanded disclosure obligation means that information on revenue class, the time of regulation, uncertainties linked to revenue recognition and cash flows attributable to the company’s customer contracts shall be provided. Under IFRS 15, revenue must be recognised when the customer obtains control over the sold product or service and can use and benefit from the product or service.

IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts and the associated SIC and IFRIC. IFRS 15 enters into effect on 1 January 2018. Early application is permitted.

The effects of the introduction of the standard are presented in section 2.17.

IFRS 16 Leases.

IFRS 16 Leases requires lessees to recognise assets and liabilities attributable to all leases, except for those that are shorter than 12 months and/or pertain to small amounts. The standard replaces IAS 17 Leases and associated interpretations. The implication is that the distinction between operating leases and finance leases is removed and replaced with an approach to the right of use and commitment to settle continuous payments to the lessor. The standard must be applied as of 1 January 2019. Early application is permitted.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Group is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition
- assessing the current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised as right-of-use assets.
- assessing the additional disclosures that will be required.

2.2 Consolidated financial statements

Subsidiaries

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to variable returns from its interest in the company and has the possibility of influencing the returns through its influence in the company. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling influence is relinquished.

Acquisition accounting is used to report the Group’s business combinations. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities and any shares issued by the Group. The purchase consideration also includes the fair value of all assets and liabilities resulting from a contingent consideration agreement.

Acquisition-related costs are expensed as they arise.

Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For every acquisition, the Group determines if all non-controlling interests in the acquired company shall be recognised at fair value or at the holding’s proportional share of the acquired company’s net assets.

The amount by which the purchase consideration, any non-controlling interests and the fair value at the acquisition date of earlier shareholdings exceeds the fair value of the Group’s share of identifiable acquired net assets is recognised as goodwill.

Also refer to Note 21 regarding business combinations and the reverse acquisition that occurred during the financial year.

2.3 Segment reporting

As the Group’s equity instruments are traded in an active market, IFRS 8 Operating Segments is applied. An operating segment is a part of a company whose operations at one or more levels are regularly examined by the Group’s “Chief Operating Decision Maker” (CODM) who decides what resources are to be allocated to the segment and evaluates the segment’s development. Within Ayima, a group consisting of the CEO and the Board has been identified as the CODM.

The operations are followed up with regard to revenues per the following segments linked to service category: SEO, Paid and Content & Creative.

2.4 Foreign currency translation

Functional currency and reporting currency

Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which the respective company is primarily active (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK) as the reporting currency, which is also the Parent Company’s functional and reporting currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of each Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Subsidiaries
On consolidation, assets and liabilities have been translated into SEK at the closing rate at the reporting date. Goodwill and fair value adjustments arising on acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into SEK at the closing rate. Income and expenses have been translated into SEK at the average rate over the reporting period with any exchange differences being recognised in profit or loss. Exchange differences relating to the statement of financial position are charged or credited to other comprehensive income and recognised as a sub-category of retained earnings in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

2.5 Intangible assets

Goodwill
Goodwill is the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's net identifiable net assets at the time of acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets.

Goodwill that is recognised separately is tested annually to identify possible needs for impairment and is recognised at cost less accumulated impairment losses in accordance with IFRS 3. Impairment losses of goodwill are not reversed. Gains or losses upon divestment of a unit includes residual carrying amount of the goodwill pertaining to the divested unit.

Research and development
Development costs incurred are capitalised when all of the following conditions are satisfied:

ï,· completion of the intangible asset is technically feasible so that it will be available for use or sale;
ï,· the company intends to complete the intangible asset and use or sell it;
ï,· the company has the ability to use or sell the intangible asset;
ï,· the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
ï,· there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
ï,· the expenditure attributable to the intangible asset during its development can be measured reliably.

Capitalised development costs are comprised of staff expenses. Development costs not meeting the criteria for capitalisation are expensed as incurred. Expenditure on research is written off in the year in which it is incurred.

Customer contracts
Customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

They are then accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual value and useful lives are reviewed at each reporting date.

In addition they are subject to impairment testing. A useful life of 7 years has been attributed based on current average contract length for the Group.

Other intangible assets
Other intangible assets are recognised at cost less amortisations. Given the nature of the business any long term software investments which are cash generative have been capitalised.

These are being amortised over a useful life of 4 years at which point new software is considered to have rendered them redundant.

2.6 Tangible assets

Tangible assets are initially recognised at cost.

In the Group, tangible assets consist of cost of improvements on external properties, as well as equipment, tools, fixtures and fittings.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 10% on cost
Office equipment and other equipment	- 25% on cost

Impairment of tangible assets

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if necessary. If an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately impaired to its recoverable amount.

A tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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.

Also refer to the following section regarding the description of impairment of non-financial assets.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not depreciated but are annually tested for impairment. At present, this for the Group is only goodwill.

Tangible assets and such intangible assets that are amortised are impairment tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. Impairment review is made by grouping assets into cash generating units.

An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount, after reversal, does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where appropriate, had the impairment not occurred.

In case of impairment review, assets are grouped into as small cash-generating units as possible. A cash-generating unit is an asset group with essentially independent payments. As a consequence, the impairment needs of some assets are tested individually and some are tested at the cash-generating unit level. Goodwill is allocated to the cash-generating units that are expected to benefit from synergy effects in business combinations and represent the lowest level in the Group where Group Management monitors goodwill.

The impairment need for the cash-generating units to which goodwill has been allocated is reviewed at least once a year. The impairment need of all other individual assets or cash generating units is tested when events or changed circumstances indicate that the carrying amount cannot be recovered.

An impairment loss is recognized for the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. In order to determine the value in use, Group Management estimates expected future cash flows from each cash-generating unit and determines an appropriate discount rate to calculate the present value of these cash flows. The data used for impairment testing are directly linked to the Group's most recently approved budget, adjusted as needed to exclude the effects of future reorganizations and asset improvements.

Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the money's time value and asset-specific risk factors. Impairments relating to cash-generating units first reduce the carrying amount of any goodwill distributed on the cash-generating unit. Any remaining write-downs will reduce proportionally the other assets in the cash-generating units. With the exception of goodwill, a new assessment of all assets is made for signs that an earlier write-down is no longer justified. An impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds the carrying amount.

2.8 Financial instruments

The Group classifies financial assets and liabilities in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments that are not held for the primary purpose of gathering contractual cash flows and do not give rise to cash flows at set times in the form of payments of principal and interest.

In some cases a market value is not attainable and when such cases occur the investments are recognised at costs and annually reviewed for impairment. Unlisted investments represent a 15% shareholding in Tootsa MacGinty Limited, an e-commerce company registered in Scotland.

This company has a niche trade and therefore it has not been possible to obtain a market value. It will continue to be carried at cost and annually reviewed for impairment until a market value becomes available.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets, except for those with maturities of more than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are recognised as trade receivables, other receivables, accrued income and financial assets on the balance sheet. Cash and cash equivalents are also included in this category. An impairment of trade receivables is recognised in profit or loss as other external expenses.

Other financial liabilities

The Group’s borrowings (comprised of the items borrowings), trade payables and other liabilities are classified as other financial liabilities, see the description of the accounting principles in sections 2.13 and 2.14 below.

General principles

Purchases and sales of financial assets and liabilities are recognised on the transaction date – the date the Group pledges to buy or sell the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs. This applies for all financial assets and liabilities that are not recognised at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value, while attributable transaction costs are recognised in profit or loss. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has relinquished essentially all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the contractual obligation has been discharged or otherwise extinguished.

Loans and receivables and other financial liabilities are recognised after the acquisition date at amortised cost using the effective interest rate method.

Fair value of borrowings is measured, for informational purposes, by discounting future contractual cash flows at current market interest rates that are available to the Group for similar financial instruments.

Every reporting date, the Group assesses if there is objective evidence that an impairment requirement exists for a financial asset or group of financial assets, such as delisting from an active market or that it is not probable that the debtor can fulfil its commitment. Impairment testing of trade receivables is described in Note 2.10 below.

Impairment of financial assets
The Group determines at the end of each reporting period whether there is any objective evidence that an impairment requirement exists for a financial asset or group of financial assets. A financial asset or group of financial assets has an impairment requirement and is impaired only if there is objective evidence of an impairment requirement as a result of one or more events occurring after the asset has been initially recognised and that this event has an impact on the estimated future cash flows for the financial asset, which can be reliably estimated.

2.9 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment, using the effective interest rate method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or be subject to financial reconstruction and unpaid or overdue payment are to be considered indicators that there may be a need for impairment of a trade receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Both losses regarding trade receivables and recovered formerly impaired trade receivables in profit or loss in the function of selling expenses.

The carrying amount for trade receivables, after possible impairment, is presumed to be equivalent to their fair value since this item is current by nature.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments with maturities of three months or less from the time of acquisition. At the reporting date, there are only bank balances in the Group.

2.11 Equity

Share capital represents the nominal (par) value of shares that have been issued.
Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the capital redemption reserve which comprises non-distributable amounts from a redemption or purchase of the Group's own shares. Retained earnings include all current and prior period retained profits.

2.12 Trade payables and other liabilities

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Their carrying amount is presumed to be equivalent to their fair value since these items are current by nature.

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost and any difference between the proceeds (net of transaction costs) and the repayment amount is recognised in profit or loss over the term of the loan using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs (interest expenses and transaction costs) are recognised in profit or loss in the period to which they relate.

The Group’s current borrowings are largely current by nature and the carrying amount is therefore presumed to correspond to its fair value. The component that is non-current is indeed subject to fixed interest, but the difference between variable and fixed interest is considered to amount to insignificant amounts. Due to these two factors, the effective interest method has not been applied to the Group’s borrowings.

2.14 Taxation

Current income tax assets and liabilities 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 at the reporting date.

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised 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 when 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.

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 re-assessed 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.

2.15 Employee benefits

Pension commitments
The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Incentive scheme
Ayima has an Enterprise Management Incentives (EMI) scheme which has awarded shares to key UK - based employees. These shares are held for the employees by the Ayima Employee Benefit Trust 2011 (EBT). A total of 323,502 shares are owned by the EBT. We are currently in the process of establishing an employee share option scheme for all employees worldwide.

2.16 Revenue recognition

Revenue represents the fair value of services provided during the period and is stated net of value added tax. The recognition of revenue depends on the type of services provided:

SEO Consulting:
SEO consulting revenue is recognised on a monthly basis in line with the contractual agreement, contracts are usually for a minimum period of 12 months.

Media Link Development:
Media link development is charged either at a fixed rate per link acquired on behalf of the client or on a monthly basis in line with the contractual agreement with an average number of links acquired over the contract period (12 months).

Paid Media Spend:
Paid media spend is charged to the client and recognised on a monthly basis as the service is delivered.

Paid Media Consulting:
Paid media consulting is calculated in one of the following ways
1. A basic contracted retainer in line with the contractual agreement charged on a monthly basis
2. A percentage of the monthly media spend
3. A combination of the above, for example if the client's media spend reaches an agreed threshold within a month.

Creative and Content:
Creative and content work is undertaken in two forms, either on an ongoing retainer basis which is billed according to the monthly billing schedule, or a specific project which is quoted in advance and agreed with the client, with a project specific contract or Statement of Work which defines the work to be carried out, the schedule for the work to be completed and the schedule or project milestones for billing. Revenue is recognised each month as the work is completed and agreed with the client. Any ad hoc creative work carried out for existing clients is recognised as revenue during the monthly billing cycle, work completed is billed on an hourly basis according to the agreed rate card.

The above policies have been evaluated against the updated standard using the recommended single principles 5 step plan, the board is satisfied that the policies are all compliant with IFRS 15 and will therefore not be impacted by adoption of the new standard on 1 January 2018.

2.17 Leases

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are recognised as an expense in profit or loss on a straight-line basis over the lease period.

Leases of fixed assets where the Group essentially takes all the risks and benefits associated with ownership are classified as finance leases. At the beginning of the leasing period, finance leases are recognised in the balance sheet at the lower of the leasing object's fair value and the present value of the minimum lease payments. Each lease payment is divided into repayment of principal and financial expenses to obtain a fixed rate of interest for the recognised liability. Corresponding payment obligations, less financial expenses, are included in the balance sheet item "Other non-current liabilities". The interest portion of the financial expenses is reported in the income statement over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the respective period's reported liability. Non-current assets held under finance leases are depreciated over the shorter period of the asset's useful life and the lease period.

The Group only has operating leases which relate to premises rent in their entirety.

2.18 Parent Company accounting principles

The accounting principles in the Parent Company essentially match those of the consolidated financial statements. The Parent Company's financial statements have been prepared in compliance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. RFR 2 sets out exceptions and amendments to the standards issued by IASB and statements issued by IFRIC. The exceptions and amendments are to be applied as of the date the legal entity in its consolidated financial statements applies the given standard or statement.

The Parent Company uses the format presented in the Swedish Annual Accounts Act, which among other things means that a different presentation of equity is applied.

Shares in subsidiaries are recognised at amortised cost less potential impairment losses. When there is an indication that shares or participations in a subsidiary have decreased in value, an estimate of the recoverable amount is made. An impairment loss is recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised in the item "Profit/loss from participations in Group companies". The cost of participations in subsidiaries includes transaction costs. In the consolidated accounts, transaction costs are expensed in the period in which they arise.

Note 3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk/financing risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets, and strives to minimise potentially unfavourable influences on earnings and liquidity due to financial risks.

The Group's risk management is taken care of by the head office in consultation with the Board, and focuses on actively securing the Group's cash flows in the short and median terms. The risk function includes identifying, evaluating and hedging financial risks.

The Group does not apply so-called hedge accounting according to the rules in IAS 39.

Market risk

Currency risk

Ayima is an international Group with activities in several countries. The reporting currency is Swedish kronor (SEK). This means that the Group is exposed to currency risks because changes in exchange rates can affect earnings and equity.

Exposure to changes in current is usually divided into two main groups, translation exposure and transaction exposure.

Translation exposure

The foreign subsidiaries' assets less liabilities constitute a net investment in foreign currency, which upon consolidation gives rise to a translation difference. Such translation differences are charged directly to consolidated equity and recognised under a separate category in equity called Reserves. A related form of translation exposure is the profit or loss produced during the year in the foreign subsidiaries that thereby continuously affects the foreign equity. This has a relatively large impact on the Group as operations are primarily based outside Sweden in other currencies than SEK.

Intra-Group borrowings are translated to the applicable closing day rate at the unit that has a receivable or liability denominated in a currency other than the functional currency that applies for the respective unit. Intra-Group borrowings have no net impact on equity, although they affect the consolidated income statement.

Transaction exposure

Transaction exposure usually means the exposure originating from commercial flows, i.e. purchases and sales across borders, and exposure from financial flows.

The majority of the Group's purchases and sales take place in GBP and USD. In the final quarter of 2017, 70% of the sales were in GBP and 27% in USD. Of purchases, 62% were in GBP and 27% in USD. The transaction exposure linked to exchange rate fluctuations on trade payables and trade receivables is limited, however, since invoicing mainly takes place in local currency for the companies in the Group. In addition the Group has factoring agreements for trade receivables in USD and GBP.

Credit risk

Credit and counterparty risk is the risk that the counterparty in a financial transaction does not fulfil its obligations on the due date. Credit risk is managed at a Group level and arises through trade receivables and cash and cash equivalents.

See Note 12 Trade receivables, and the following section, for a further description of the Group's exposure in trade receivables.

Interest rate risk relating to cash flows and fair values

As the Group does not hold any significant interest-bearing assets, the Group's revenue and cash flow from operating activities are essentially independent of changes in market interest rates. The Group's interest rate risk arises mainly through long-term borrowing. Loans made with floating interest expose the Group to interest rate risk relating to cash flow. Fixed rate borrowing exposes the Group to interest rate risk relating to fair value.

The Group's short-term borrowings in general run at a floating interest rate and are thus exposed to cash flow risk. The Group's long-term borrowings run at fixed interest rates and are thus exposed to interest rate risk relating to fair value. However, as most of the borrowing is short-term in its nature, the overall interest rate risk for the Group is considered to be low.

Refer to Note 16 Borrowing for the description of essential terms for borrowing.

Liquidity risk/Financing risk

At 31 December 2017, the Group had available liquidity of kSEK 874. The liquidity consists of bank balances. The Group is revising the liquidity need by forecasting both future inflows and outflows from operating activities and from financing activities. The liquidity need is monitored weekly.

The table below presents the undiscounted cash flows that come from the Group's liabilities in the form of financial instruments, based on the earliest remaining durations contracted at the closing date. The amounts falling due within 12 months agree with booked amounts since the discounting effect is insignificant.

Amounts in foreign currencies and amounts to be paid based on a variable interest rate have been estimated by using the exchange rates and interest rates applicable on the closing date.

Group Amounts in kSEK	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2017			
Borrowings	4,582	640	731
Trade payables and other liabilities	17,677		
Total	22,259	640	731
As at 31 December 2016			
Borrowings	3,298	–	–
Trade payables and other liabilities	11,294	–	–
Total	14,593	–	–

Parent Company Amounts in kSEK	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2017			
Trade payables	243		
Total	243	–	–

Fair value hierarchy

Ayima classifies measurement at fair value using a fair value hierarchy that reflects the reliability of the input data used to make the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices on active markets for identical assets or liabilities.
Level 2 – Input data other than listed prices that are observable for the asset or liability, either directly, such as by prices, or indirectly, such as derived prices.
Level 3 – Input data for the asset or liability not based on observable information. The applicable level is determined based on the lowest level of input data that is material to the measurement at fair value.

The instruments the Group has that are measured at fair value are comprised of unlisted holdings where no market value has been established yet. Therefore, they are recognised as cost and tested annually for impairment until a market value has been possible to determine.

Management of capital risk

The objective regarding the capital structure is to safeguard the Group's ability to continue operations in order to go on generating a return for shareholders and benefits for other stakeholders as well as maintaining an optimum capital structure to keep capital costs down.

In the same way as other companies in the industry, Ayima assesses the capital on the basis of the debt/equity ratio. This key performance indicator is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings (comprising the items Current and Non-current borrowings on the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as Equity on the consolidated balance sheet plus net debt.

As at 31 December, the debt/equity ratios were as follows:

	Group		Parent Company
	31 Dec 2017	31 Dec 2016	31 Dec 2017
Total borrowings (Note 16)	5,799	3,298	–
Less: cash and cash equivalents	-874	-1,497	-78
Net debt	4,925	1,801	-78
Total equity	46,387	24,301	15,428
Total capital	51,312	26,102	15,350
Debt/equity ratio	10%	7%	-1%

Financial Instruments per category

Group	Assets at fair value through profit or loss	Loans and receivables	Available for sale	Total
2017-12-31				
Assets as per balance sheet				
Financial assets	2 776	-	-	2 776
Trade and other receivables	-	16 926	-	16 926
Other receivables	-	1 434	-	1 434
Cash and cash equivalents	-	874	-	874
Total	2 776	19 234	-	22 010

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
2017-12-31			
Liabilities as per balance sheet			
Non-current liabilities to credit institutions	-	1 217	1 217
Current liabilities to credit institutions	-	4 582	4 582
Trade and other payables	-	11 379	11 379
Loans from related parties	-	52	52
Other liabilities	-	6 286	6 286
Total	-	23 515	23 515

Group	Assets at fair value through profit or loss	Loans and receivables	Available for sale	Total
2016-12-31				
Assets as per balance sheet				
Financial assets	2 894	-	-	2 894
Trade and other receivables	-	12 590	-	12 590
Other receivables	-	4 955	-	4 955
Cash and cash equivalents	-	1 497	-	1 497
Total	2 894	19 042	-	21 936

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
2016-12-31			
Liabilities as per balance sheet			
Non-current liabilities to credit institutions	-	-	-
Current liabilities to credit institutions	-	3 298	3 298
Trade and other payables	-	5 863	5 863
Loans from related parties	-	-	-
Other liabilities		5 431	5 431
Total	-	14 593	14 593

Note 4 Critical estimates and assessments in the application of the Group's accounting principles

Estimates and assessments are evaluated on an on-going basis and are based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of material adjustments in the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment testing of goodwill

The Group annually tests whether there are any impairment requirements for goodwill, in accordance with the accounting policy described in Note 2.7 Impairment of non-financial assets. The recoverable amounts have been determined through a calculation of value in use. For these calculations, certain estimates must be made; these estimates are presented by Note 9 where the carrying amounts at the closing date are also presented. The business plan prepared for the upcoming year forms the basis for the assessment.

Capitalised development expenditures

Estimates and assessments are required to distinguish the development phase in a new project from the research phase, and to ensure that the capitalisation criteria are met for capitalised development expenditures. Ayima also makes continuous assessments of the value of capitalised expenditures linked to development work. The most critical assumption, which was subject to assessment by management, is if capitalised expenditures will generate future financial benefits that as a minimum match the capitalisation made. At the closing date, it is management's assessment that future cash flows will cover investments made with a margin, which is why there are no impairment requirements. Refer to note 9 for book value of capitalised development expenditures.

Accounting of deferred tax assets

Deferred tax assets relate to temporary differences and loss carry-forwards and are only recognised insofar as it is deemed that they will be able to be used against surpluses generated in operations in the future. The Group's deferred tax assets largely consist of capitalised tax assets on loss carry-forwards. The carrying amount of this tax asset is reviewed at least once a year. In such a review, the tax asset is put in relation to future taxable profits, which is based on management's estimates on the basis of, among other things, forecasts and strategic plans. See Note 8 for more information on deferred taxes.

Note 5 Segment information

Ayima monitors revenues by service category. For the Group as a whole, earnings are followed up at the EBITDA level.

Revenues are also monitored by geography, for which separate disclosures have been provided below.

Assets and liabilities are only monitored for the Group as a whole. The Group has three customers that represent more than 10% of the total revenues (16% in Paid Media, 15% all services and 11% in Paid Media, respectively).

Revenue within the Group relate to sales of services

Segment information for 2017

	SEO	Paid	Content & Creative	Total
Segments' total revenues	61,198	60,313	7,980	129,491
Selling expenses	-9,931	-50,079	-783	-60,793
Gross margin	51,267	10,234	7,197	68,698

Segment information for 2016

	SEO	Paid	Content & Creative	Total
Segments' total revenues	82,601	30,716	7,868	121,186
Selling expenses	-22,186	-20,370	-1,957	-44,513
Gross margin	60,415	10,346	5,911	76,673

Revenues by geographic market as follows

Group	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
United Kingdom	90,254	68,934
North America & Canada	38,510	50,861
Europe	727	1,390
Total revenues by geographic market	129,491	121,186

SEO involves working with the client's website, ensuring the correct site structure, keywords, tagging, descriptions, linking strategies etc, so that Google's algorithm can "read" the website and list the client's website in its results for the particular words that a potential customer might search for in Google. The aim is to ensure that potential customers come to the client's website "organically" from clicking on a Google search result.

Paid Media entails executing and managing client budgets to advertise with paid for listings on online platforms such as Google Ads, Facebook Advertising, Twitter as well as display advertising across the internet. The aim of this work is to ensure that the CPA (Cost per Acquisition) or CPC (Cost per Click) is as low as possible, thereby maximising the client's marketing budget.

Content Development and Creative work are used to create website content, and as well as using PR to attract potential customers to the client's website with an engaging article, infographic, quiz, podcasts, blog post, etc. We also build new websites for clients, from wireframes to final launch, User testing, UX (User Experience) and UI (User Interface) design to best showcase the client and the products or services that they offer. Content and creative work includes concept creation, ideation, planning the scope with the client, agreeing budgets and timelines, creating the assets, writing the website code to fulfil the agreed brief.

Note 6 Audit fees

Audit assignment refers to the statutory audit of the annual report and consolidated financial statements and the book keeping, the management by the Board and CEO, as well as the audit and other examinations done in accordance with agreement or contract. It also includes other tasks incumbent on the company’s auditors, as well as advice or other assistance arising from observations made during the audit or while performing such other tasks. Other audit assignments refer to quality assurance services, examinations that lead to a report or certificate also intended for others that the client, such as a review of an interim report.

Group	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Wilkins Kennedy LLP/Grant Thornton		
Audit assignment	294	95
Other audit related assignments	247	223
Tax advisory services	62	140
Other advisory services	257	179
Total	860	638

Parent Company	3 Jan 2017 31 Dec 2017
Grant Thornton	
Audit assignment	183
Other audit related assignments	21
Tax advisory services	16
Other advisory services	5
Total	225

Note 7 Employee benefits and disclosures on staff

Group	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Salaries and benefits	54,238	44,948
Social security expenses	4,130	2,891
Pension expenses	1,405	862
Total	59,773	48,701

The Parent Company did not have any employees or employee benefit expenses during the financial year

	1 Jan 2017 31 Dec 2017		1 Jan 2016 31 Dec 2016	
Group	Salaries and other benefits	Social security expenses incl. pension expenses	Salaries and other benefits	Social security expenses incl. pension expenses
Board members, CEO and other senior executives	4,210	504	4,306	510
Other employees	50,028	5,031	40,642	3,243
Total	54,238	5,535	44,948	3,753

	1 Jan 2017 31 Dec 2017 Average number of employees	Of which men	1 Jan 2016 31 Dec 2016 Average number of employees	Of which men
Parent Company				
Sweden	–	–	–	–
Total in Parent Company	–	–	–	–
Subsidiaries				
United Kingdom	69	60%	56	55%
USA	15	45%	10	70%
Canada	10	40%	7	29%
Sweden	–	0%	1	100%
Total in subsidiaries	94	41%	74	55%
Total in Group	94	41%	74	55%

Note 7 Employee benefits and disclosures on staff, cont.

Gender distribution of Board members and other senior executives

	1 Jan 2017 31 Dec 2017 Number on closing date	Of which men	1 Jan 2016 31 Dec 2016 Number on closing date	Of which men
Group				
Board members	5	100.0%	5	100.0%
CEO and other senior executives	3	100.0%	3	100.0%
Total in Group	8	100%	8	100%
Parent Company				
Board members	5	100.0%	–	0%
CEO and other senior executives	1	100%	–	0%
Parent Company total	6	100%	–	–

CEO Instructions:

The CEO shall ensure that the company's accounts are maintained in accordance with the law and that the management is conducted in a satisfactory manner and ensure that, business conducted within the company complies with the relevant articles of association. The task includes the right to decide on all matters concerning the company's business, which is not decided the Board, except as specified below.

- The CEO may not enter into an agreement on the purchase or sale of real estate by companies or businesses

- The CEO may not withdraw mortgages or any property from the business

- The CEO cannot make decisions about investments or similar commitments exceeding SEK 50,000

Notice period 3 months

The CEO does not contribute to or receive any pension benefits from the company pension scheme.

Note 8 Tax

	Group		Parent Company
	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016	3 Jan 2017 31 Dec 2017
Current tax for the year	1,883	1,532	–
Deferred tax for temporary differences	630	–	–
Deferred tax for capitalised tax loss carry-forwards	4,253	–	–
Total tax on profit for the year	6,767	1,532	–

Differences between reported tax expense and calculated tax expense based on the applicable tax rate are as follows:

	Group		Parent Company
	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016	3 Jan 2017 31 Dec 2017
Profit/Loss before tax	-17,487	5,491	-859
Income tax calculated at current tax rate*	3,386	-1,098	189
Non-taxable income	–	–	–
Non-deductible expenses	-130	-176	–
Deductible expenses not booked	3,066	2,841	330
Capitalisation of loss carry forwards not yet recognised	1,936	–	–
Tax loss carry-forwards for which no deferred tax asset was recognised	-1,050	-13	-519
Utilisation of tax losses carry forwards not previously recognised.	28	–	–
Foreign tax	-2	-22	–
Effect of changed tax rates	-468	–	–
Income tax	6,767	1,532	–

* For 2017, the prevailing tax rate in the UK of 19.25% was used for the Ayima Holdings Limited Group, and 22% for the Swedish units. For 2016, the Group only consisted of Ayima Holdings Limited, and the tax rate prevailing in the UK at the time, 20%, was used.

Deductible expenses not booked for both 2016 and 2017 refer to items linked to R&D (‘Research and development enhanced deduction’ and ‘R&D tax credit’) and depreciation on investments made (‘Capital allowances in excess of depreciation’) that are deductible under British tax rules but are not booked in profit or loss. R&D tax credit, a total amount of kSEK 1,885 (1,553) is booked as a current tax asset as the amount is expected to be recovered from the tax authorities within one year. In addition, deductible expenses not booked refer to issue expenses in the Parent Company. It has not been required to recognise the tax effect of these directly in equity as no deferred tax asset is recognised in the Parent Company.

Note 8 Tax, cont.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group's accumulated tax loss carry-forwards amount to:

Group		Parent Company
1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016	3 Jan 2017 31 Dec 2017
25,623	12,329	519

There are no time limitations on loss carry-forwards in 2016 or 2017.

The tax effect of loss carry-forwards is only taken up insofar as there are convincing factors that indicate that they can be utilised in the near future. A history of losses is a factor against measuring the loss carry-forwards. In in addition to this, loss carry-forwards were measured insofar as there are also deferred tax liabilities that can be set off against loss carry-forwards.

Group	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Deferred tax liabilities		
Tangible assets	282	957
Total deferred tax liabilities	282	957
Deferred tax assets		
Loss carry-forwards	4,298	–
Total deferred tax assets	4,298	–
Deferred tax assets, net	4,016	-957
Deferred tax assets		
- deferred tax assets expected to be utilized after more than 12 months	1 594	–
- deferred tax assets expected to be utilized within 12 months	2 704	–
Total deferred tax assets	4 298	–

The net change with regard to deferred tax is as follows:

Group	2017-12-31	2016-12-31
At the beginning of the year	-957	-957
Recognised in profit or loss	4 884	–
Exchange-rate differences	90	–
At year-end	4 016	-957

Note 9 Intangible assets

Goodwill

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	1,532	601
Increase through business combinations	22,259	931
Divestment	-568	–
Exchange-rate differences	-74	–
Closing accumulated cost	23,150	1,532
Closing accumulated amortisation	–	–
Opening impairment losses	–	–
Impairment losses/reversals for the year	-531	–
Closing accumulated impairment losses	-531	–
Closing book value	22,619	1,532

Significant assumptions were used for the value-in-use calculations:

2017-12-31	
Growth rate 1)	2 %
Discount rate 2)	14,2 %

1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
2) Discount rate after tax used in the present value calculation of estimated future cash flows.

The underlying assumptions were as follows:

1. Revenue growth of 10% year on year.
2. Cost of sales growth for some items (e.g. media spend) will be in line with revenue growth. Cost of sales related to Link Operations and external consultants will grow by 5% year on year.
3. Payroll will grow by 5% year on year. 5% allows for replacement of leavers and incremental payrises.
4. Operating expenses will not grow as these costs are fixed long term contracts, e.g. rent, service charges, leased lines etc. Other operating expenses (marketing, travel etc) will grow by 5% each year.
5. Tax payments for VAT will grow in line with revenue growth.
6. Corporation Tax payments exclude capital allowances and R&D Tax Credits, we are taking a prudent approach to these allowances.
7. Further Investment in intangible fixed assets is largely included in staff costs which are in the P&L expenses.
8. There are no plans to invest a significant amount in tangible fixed assets.
9. The forecast Cashflows do not show the effect of any potential acquisitions, we are taking a prudent approach to this as there is insufficient evidence available to make an assumption.

Ayima annually tests whether there are any impairment requirements for goodwill, in accordance with the accounting policy described in Note 2.7 Impairment of non-financial assets.

Recoverable amount has been established through the calculation of value in use, which is based on discounted future cash flows. These calculations require the use of certain estimates. The discounted cash flows are based on the budget for 2018 and forecasts for 2019-2022. Beyond the forecast period, the starting point was a growth rate of 2 per cent per year. No impairment requirement was identified.

Goodwill capitalised during the year is attributable to the acquisition of Ayima Holdings Limited and Ayima Nordic AB. Also see Note 21 Business combinations.

The recognised balance for goodwill in earlier years and impairment during the year are attributable to the asset acquisition of the workforce in Quickthink Media Limited, which was handled as a business combination in accordance with IFRS 3. In addition to the workforce, the customer portfolio was also acquired, see below. The owner company of Quickthink Media Limited received 1,040 shares in Ayima Limited Ltd. as payment, which now represents an interest of 6.6% in Ayima Group AB (publ). At 31 December 2017, only 40% of the employees acquired from Quickthink Media Limited were still employed in the company and therefore an impairment loss of 60% was recognised on the original goodwill value.

Note 9 Intangible assets, cont.

Capitalised development expenditures

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	4,457	–
Capitalised assets for the year	4,146	4,457
Exchange-rate differences	-138	–
Closing accumulated cost	8,465	4,457
Closing accumulated amortisation	–	–
Closing book value	8,465	4,457

Customer contracts

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	6,276	–
Increase through business combinations	–	6,276
Reclassifications	–	–
Exchange-rate differences	-264	–
Closing accumulated cost	6,013	6,276
Opening amortisation	–	–
Amortisation for the year	-851	–
Closing accumulated amortisation	-851	–
Closing book value	5,161	6,276

Customer contracts are attributable to the asset acquisition of Quickthink Media Limited in 2016 where, in addition to the customer portfolio, the workforce was acquired.

Other intangible assets

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	650	679
Reclassifications	–	-27
Exchange-rate differences	-3	-1
Closing accumulated cost	647	650
Opening amortisation	-566	-552
Amortisation for the year	-7	-24
Reclassifications	–	10
Closing accumulated amortisation	-573	-566
Closing book value	74	84

Note 10 Tangible assets

Equipment, tools, fixtures and fittings

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	8,636	8,285
Purchases	585	2,414
Sales and disposals	-20	-2,092
Reclassifications	-6	28
Exchange-rate differences	-102	–
Closing accumulated cost	9,093	8,636
Opening depreciation	-6,120	-7,163
Sales and disposals	18	2,089
Depreciation for the year	-1,057	-1,034
Reclassifications	2	-11
Closing accumulated depreciation	-7,158	-6,120
Closing book value	1,935	2,517

Cost of improvements on external properties

	Group	
	31 Dec 2017	31 Dec 2016
Opening cost	1,726	902
Purchases	100	825
Exchange-rate differences	-60	–
Closing accumulated cost	1,766	1,726
Opening depreciation	-424	-260
Depreciation for the year	-172	-164
Closing accumulated depreciation	-596	-424
Closing book value	1,170	1,302

Note 11 Financial assets at fair value through profit or loss

	Group	
	31 Dec 2017	31 Dec 2016
At the beginning of the year	2,894	–
Exchange-rate differences	-118	–
Purchases	–	2,894
Closing book value	2,776	2,894

Purchases in 2016 relate to holdings of 15% in an unlisted e-commerce company, Tootsa MacGinty Limited, which is registered in Scotland. The holding is measured at fair value through profit or loss in accordance with IFRS 9. Due to the company's niche business, no market value has yet been able to be determined, which is why the holding is recognised at cost and annually tested for impairment until a market value has been able to be determined.

Note 12 Trade receivables

The fair value of the Group's trade receivables matches the carrying amount. At the closing date, there were no overdue trade receivables.

Group	31 Dec 2017	31 Dec 2016
Trade receivables	16,926	12,590
Less: Reserve for doubtful receivables	–	–
Trade receivables - net	16,926	12,590

Trade receivables by currency

Group	31 Dec 2017	31 Dec 2016
SEK	138	197
USD	5,947	4,908
EUR	296	62
GBP	10,254	7,423
Other currencies	292	–
	16,926	12,590

Note 13 Other receivables

	Group		Parent Company
	31 Dec 2017	31 Dec 2016	31 Dec 2017
Tax account	247	–	247
Receivable from employees	239	131	–
Deposits	2,817	3,060	–
VAT receivable	84	–	47
Other receivables	105	1,186	–
Receivable from associated company	1,822	579	–
Total other receivables	5,315	4,955	294

Note 14 Prepaid expenses and accrued income

	Group		Parent Company
	31 Dec 2017	31 Dec 2016	31 Dec 2017
Prepaid rent	750	754	–
Prepaid insurance	239	235	–
Accrued income	189	222	–
Other	255	214	55
Total prepaid expenses and accrued income	1,434	1,426	55

Note 15 Share capital and other capital contributions

Specification of changes in equity can be found in the statement of changes in equity, which is immediately after the balance sheet.

Parent Company	No. of shares	Ordinary share capital	Other paid in capital	Total
At 1 January 2017	–	–	–	–
Registration company	50,000	50,000		50,000
New share issue	950,000	950,000	–	950,000
New share issue	200,000	200,000	1,800,000	2,000,000
Issue in kind	3,500,000	3,500,000	–	3,500,000
New share issue, net after issuing costs	535,000	535,000	9,200,060	9,735,060
At 31 December 2017	5,235,000	5,235,000	11,000,060	16,235,060

The shares have a quotient value of SEK 1 per share. 200,000 shares are Class A shares, which have a voting value of 10/ compared with the 5,035,000 Class B shares. All shares registered at the closing date were fully paid-up.

Proposed appropriation of earnings at the 2018 AGM
The Board of Directors proposes that the accumulated loss as at 31 December 2017, SEK 10,141,370, be carried forward.

Note 16 Borrowings

Group	31 Dec 2017	31 Dec 2016
Non-current		
Borrowings, other	1,217	–
	1,217	–
Current		
Borrowings, factoring	4,027	3,298
Borrowings, other	555	–
	4,582	3,298
Total borrowings	5,799	3,298

The majority of the Group's borrowings are comprised of factoring of trade receivables. The Group's other borrowings pertain to a loan from Funding Circle. This is to be repaid over four years and was raised in January 2017. Also refer to Note 3 for the description of contractual undiscounted cash flows.

The movements in the Group's borrowings for the year was as follows:

Group	2017-12-31	2016-12-31
Opening balance	3 298	1 143
New loans for the year	2 634	2 229
Exchange-rate differences	-134	-74
Closing balance	5 799	3 298

The Group's borrowings are distributed over the following currencies:

	31 Dec 2017	31 Dec 2016
GBP	5,799	3,298
	5,799	3,298

The loan from Funding Circle runs with a fixed interest of 7%.

The fair value of the Group's borrowings is deemed to essentially match the book value as the borrowings from factoring are current by nature, and the effect of applying the effective interest method for the loan from Funding Circle is considered insignificant.

Note 17 Other liabilities

	Group	
Group	31 Dec 2017	31 Dec 2016
VAT liabilities	1,115	174
Liability to credit card companies	2,649	33
Employee-related liabilities	2,470	3,796
Other	52	1,428
Total other liabilities	6,286	5,431

Note 18 Deferred income and accrued expenses

	Group	
	31 Dec 2017	31 Dec 2016
Consulting fees	35	–
Auditing and accounting	307	335
Deferred income	760	748
Other	1,704	150
Total deferred income and accrued expenses	2,807	1,233

Note 19 Pledged assets and contingent liabilities

Neither in the Group nor the Parent Company were there any pledged assets and contingent liabilities as at 31 December 2017 or 31 December 2016.

Note 20 Commitments

Commitments for operating leases

Commitments for operating leases below pertain in their entirety to premises rent.

Future leasing fees for non-cancellable operating leases, fall due for payment as follows:

	Group		Parent Company
	31 Dec 2017	31 Dec 2016	31 Dec 2017
Within one year	5,325	6,392	–
After one year but within five years	7,775	13,797	–
Later than five years	–	–	–
	13,100	20,189	–

Costs for operating leases amounted to kSEK 6,133 (3,874) during the financial year.

Note 21 Business combinations

Business combinations in 2017

Reversed acquisition of Ayima Holdings Limited

On 31 January 2017, Ayima Group AB (publ) acquired all shares in the British company Ayima Holdings Limited. As no operations were conducted in the Parent Company at the time of the acquisition and given the fact that after the transaction, the sellers were majority shareholders of the Parent Company, the acquisition was recognised as a reversed acquisition. This means that Ayima Holdings Limited is seen as the accounting acquirer and Ayima Group AB (publ) as the acquired company, although legally it is the opposite.

Payment of the purchase consideration for the participations in Ayima Holdings Limited was made through an issue in kind where the seller received 3,500,000 shares in Ayima Group AB (publ).

In a reverse acquisition, the Group purchase consideration is calculated based on fair value of the legally acquired company, multiplied by the share of the former owner of the Parent Company in the Parent Company after the acquisition (i.e. after the issue in kind). The former owner’s share in the Parent Company after the acquisition was 25.53%.

Fair value of the acquired company (Ayima Holdings Limited) was calculated through a pre-money valuation in connection with listing in May 2017 (MSEK 98.7), less the net assets that were in Ayima Group AB (publ) at the time of acquisition.

Goodwill is calculated by the Group purchase consideration being compared with the net assets that were in the acquired company in terms of accounting (Ayima Holdings Limited) at the time of acquisition. The difference is booked as goodwill in the Group.

In the consolidated financial statements, Ayima Holdings Limited is included for full 2017. The Parent Company Ayima Group AB (publ) is included as of the acquisition date on 31 January 2017.

Ayima Nordic AB

On 31 January 2017, Ayima Group AB (publ) acquired 51% of the shares in Ayima Nordic AB, which was previously owned by Ayima Holdings Limited. The same day, the minority share (49%) of the shares was acquired, which means that it is now a wholly owned subsidiary. According to IFRS 3, an acquisition estimate is to be prepared at the time the acquirer receives a majority of the shares in the acquired company; subsequent transactions that mean that the participation increases are treated as a transaction with the minority over equity.

If the acquisition of Ayima Nordic AB had been carried out on 1 January 2017, the income in the consolidated financial statements would have been kSEK 142 higher and the net profit/loss would have been kSEK 70 higher.

A description of acquired net assets and the effect on the consolidated financial statements is provided below.

Information on acquired net assets and goodwill:

	2017	2017
	Ayima Group AB (publ)	Ayima Nordic AB
Group	31 Jan 2017	31 Jan 2017
Purchase consideration		
- Paid purchase consideration at the acquisition date	-	26
- Additional purchase consideration	-	-
- Payment with equity instruments*	24,437	-
Total purchase consideration	24,437	26

Assets and liabilities as a result of the acquisition are as follows:

Acquired book value	Ayima Group AB (publ)	Ayima Nordic AB
Cash and cash equivalents	3,039	270
Trade receivables and other receivables	-	185
Trade payables and other liabilities	-50	-1,217
Fair value of net assets	2,989	-761
Non-controlling interests	-	-25
Goodwill	21,448	811
Acquired net assets	24,437	26

*Business combinations have not given rise to any net outflow of cash and cash equivalents as payment was made with equity instruments for the acquisition of Ayima Holdings Limited. Payment for the acquisition of Ayima Nordic was made to the former owner Ayima Holdings Limited, which is a wholly owned Group company as of the end of the financial year, and no cash or cash equivalents thereby left the Group.

Note 22 Related-party transactions

Besides remuneration of the Board and management, the Group provides various services to Gaming Realms PLC, which is a shareholder in Ayima Group AB and was previously the owner of Quickthink Media Limited. All services provided to Gaming Realms took place at arm's length. The total value of transactions in 2017 for SEO, Paid Media, Content and Creative was SEK 23,279 thousand.

An interest-free loan was made to Tootsa MacGinty Limited in an amount of MSEK 1.8. Ayima owns 15% of the company. The loan is to be paid back upon request.

At the beginning of 2018, the Group raised a loan from the fund Ayima Employee Benefit Trust 2011, which is a shareholder in Ayima Group AB, and is managed by Michael Nott and Timothy Webb. The loan initially runs for one year and amounts to MSEK 2.5 with the following terms:

- Interest of 12% per year to be paid quarterly
- The loan can be converted to equity after 30 days, either in whole or in full, although not in a smaller amount than MSEK 1.
- Conversion to shares will take place with a 15% discount from the weighted average price of the past 10 days of trade.
- 90 days' notification is required if the lender wants repayment at the end of the loan period.

Note 23 Events after the closing date

On 2018-02-05, Ayima Group AB reached an agreement with a small group of investors regarding a loan instrument to provide SEK 8.5 million in additional working capital financing. The lenders are Göran Månsson (3m), Gerhard Dal (3mkr) and Ayima Employee Benefit Trust 2011 (2.5mkr).

The reason for the loan is that the board saw a need for additional working capital due to recent customer inflows and related personnel recruitment. It was decided that a loan was the best method for achieving this funding because of its relatively short nature and the lower cost compared to an issue.

Further information about the terms of the loans can be found under Investor Relations on Ayima's website: www.ayima.com/investors

Note 24 Participations in Group companies

Parent Company	31 Dec 2017
Opening cost	–
Investments	3,526
Closing book value	3,526

Parent Company holds participations in the following subsidiaries:

Name	Corp.ID.no.	Domicile	% equity and votes	Number of participations	Carrying amount 31 Dec 2017
Ayima Holdings Limited	10353201	London	100%	10,404	3,484
Ayima Nordic AB	556876-7510	Stockholm	100%	1,000	42
					3,526

Ayima Holdings Limited is a holding company and Ayima Nordic AB is a trading company.

The Parent Company's subsidiaries hold shares in the following subsidiaries.

Name	Corp.ID.no.	Domicile	% equity and votes	Describtion
Ayima Limited	04886539	London	100%	Main trading company
Ayima Creative Limited	06680571	Essex	100%	Trading company
Ayima Inc	5153683-8300	Wilmington	100%	Trading company
Ayima Canada Inc	BC1047234	Vancouver	100%	Trading company
Rankers Limited	07096025	London	100%	Dormant company
Quickthink Media Limited	06703793	London	100%	Trading company

The assets and liabilities of Quickthink Media Limited were acquired in 2016 and then all shares in the company were acquired in 2017 by Ayima Limited.

Note 25 Exchange-rate differences

Exchange-rate differences in P&L statement is included on the following lines:

Group	2017-01-01 2017-12-31	2016-01-01 2016-12-31
Other external expenses	-262	665
Financial income	18	33
Financial costs	-49	–
Total exchange-rate differences, net	-293	698

Parent company	2017-01-03 2017-12-31
Other interest income and similar profit (loss) items	18
Total exchange-rate differences, net	18

Signatures

The consolidated income statement and balance sheet will be submitted to the Annual General Meeting on May 14, 2018 for adoption.

Stockholm, April 9, 2018

Michael Nott
Chairman of the Board

Michael Jacobson
Board Member and CEO

Björn Mannerqvist
Board Member

Mark Segal
Board Member

Timothy Webb
Board Member

Our audit report was submitted on April 9, 2018
Grant Thornton Sweden AB

Thomas Daae
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Ayima Group AB (publ)
Corporate identity number 559095-9291

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ayima Group AB (publ) for the year 2017.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor’s Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

• Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company’s and the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ayima Group AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

• has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

• in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm April 9, 2018

Grant Thornton Sweden AB

Thomas Daae

Authorized Public Accountant