

Lycamobile Denmark ApS

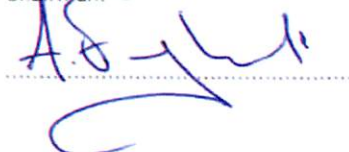
Mårkærvej 13 H, 2630 Taastrup

CVR no. 32 56 04 66

Annual report 2017

Approved at the Company's annual general meeting on 4 June 2018

Chairman:

A handwritten signature in blue ink, appearing to be 'A. S. Jørgensen', written over a horizontal dotted line.



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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Lycamobile Denmark ApS for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 4 June 2018
Executive Board:

A handwritten signature in blue ink, appearing to read 'A. Bernard Henry', is written over a horizontal line. Below the signature, the name and location are printed.

Andrew Bernard Henry
England



Independent auditor's report

To the shareholder of Lycamobile Denmark ApS

Disclaimer of opinion

We have been appointed to audit the financial statements of Lycamobile Denmark ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

We do not express any audit opinion on the financial statements. Because of the significance of the matter described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion.

Basis for disclaimer of opinion

We were unable to obtain sufficient and appropriate audit evidence for the valuation of the carrying amount of the Company's receivables from Lycatel/Lycamobile group companies. The receivables have been recognised as other receivables and amounted to DKK 8.3 million at 31 December 2017.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which reflects that the Company's liabilities, including provisions, at 31 December 2017 exceeded the Company's assets by DKK 107 million. This, combined with the other matters mentioned in note 9, indicates that the Company's ability to continue as a going concern is associated with considerable uncertainty.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark and to issue an audit opinion.

However, because of the matter described in the "Basis for disclaimer of opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements.

As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.



Independent auditor's report

Statement on the Management's review

As appears from the "Basis for disclaimer of opinion" paragraph above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements. Accordingly, we make no statement on the Management's review.

Report on other legal and regulatory requirements

Compliance with Danish Companies Act.

The Company has not registered ultimate owners in The Danish Business Authority's IT-administration system in accordance with the Danish Company Act. Management can be held liable for the non-compliance with Danish Companies Act.

Copenhagen, 4 June 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Henrik Pedersen', written over a horizontal line.

Henrik Pedersen

State Authorised Public Accountant

MNE no.: mne35456



Management's review

Company details

Name	Lycamobile Denmark ApS
Address, Postal code, City	Mårkærvej 13 H, 2630 Taastrup
CVR no.	32 56 04 66
Established	29 October 2009
Registered office	Høje Taastrup
Financial year	1 January - 31 December
Telephone	+45 35 87 22 22
Executive Board	Andrew Bernard Henry England
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark



Management's review

Business review

The main activity for Lycamobile Denmark ApS is to perform service provisions such as marketing and sales support for company's in the Lycatel/Lycamobile network.

Recognition and measurement uncertainties

Since its formation, the Company's VAT position has not been clarified. Based on external legal advice and the significant uncertainty of the outcome of the dispute, the Company has recognised a provision of DKK 76 million. The Company believes it has a chance of winning the dispute. The matter had not been resolved at the time of the financial reporting.

Reference is made to note 9 for more details.

Unusual matters having affected the financial statements

Going concern

With reference to the section above, the Company has in 2016 recognised a provision related to the VAT dispute, which significantly affects the Company's equity amounting to negative DKK 107 million at 31 December 2017.

The Company's continued operation is dependent on financing from Lycatel/Lycamobile group companies in order for the Company to honor its obligations. The Company has received a letter of support dated 10 April 2018 from three related Lycatel/Lycamobile Group companies, which confirms that they will refrain from calling upon their receivables from the Company until the next general meeting in 2019 if, by calling these receivables, will lead to financial strain on the Company.

The Executive Board believes there is a chance of winning the VAT dispute and thus re-establish the share capital through future profits. If, against the Executive Board's expectations, the dispute is lost fully or partially, the Company will be dependent on further financial support to continue as a going concern.

Reference is made to note 2 for more details.

Financial review

The income statement for 2017 shows a profit of DKK 991 thousand against a loss of DKK 107,009 thousand last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 107,418 thousand. The Company has lost its equity and is thus subject to the capital loss provision of the Danish Companies Act.

In 2017, the Company have entered into agreements to settle receivables and payables with Lycatel/Lycamobile Group Companies. The set-off has significantly decreased "Other receivables" and "Other payables".

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017 12 months	2016 10 months
	Gross margin	263	2,297
3	Staff costs	-1,064	-1,739
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-183	-187
4	Other operating expenses	962	-107,111
	Profit/loss before net financials	-22	-106,740
	Financial income	1,028	297
	Financial expenses	0	-545
	Profit/loss before tax	1,006	-106,988
5	Tax for the year	-15	-21
	Profit/loss for the year	991	-107,009
	Recommended appropriation of profit/loss	991	-107,009
	Retained earnings/accumulated loss	991	-107,009



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	234	417
		<u>234</u>	<u>417</u>
	Total fixed assets	<u>234</u>	<u>417</u>
	Non-fixed assets		
7	Receivables		
	Trade receivables	143	536
	Deferred tax assets	32	25
	Other receivables	8,314	441,035
	Prepayments	267	164
		<u>8,756</u>	<u>441,760</u>
	Cash	<u>256</u>	<u>137</u>
	Total non-fixed assets	<u>9,012</u>	<u>441,897</u>
	TOTAL ASSETS	<u>9,246</u>	<u>442,314</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	125	125
	Retained earnings	-107,543	-108,534
	Total equity	-107,418	-108,409
	Provisions		
9	Other provisions	76,375	77,664
	Total provisions	76,375	77,664
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	1,230	1,571
	Corporation tax payable	54	70
	Other payables	38,925	471,098
	Deferred income	80	320
		40,289	473,059
	Total liabilities other than provisions	40,289	473,059
	TOTAL EQUITY AND LIABILITIES	9,246	442,314

- 1 Accounting policies
- 2 Going concern uncertainties
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties



Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2017	125	-108,534	-108,409
Transfer through appropriation of profit	0	991	991
Equity at 31 December 2017	125	-107,543	-107,418



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Lycamobile Denmark ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue consists of service fee based on mark-up agreement on incurred costs related to the Danish market. Revenue are recognised on a monthly basis when the costs have occurred.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, cost of goods, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-10 years
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The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income

Financial income are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

2 Going concern uncertainties

Based on external legal advice and the uncertainty relating to the outcome of the VAT dispute, the Company has recognised a provision of net DKK 76 million. The provision related to the VAT dispute significantly affects the Company's equity amounting to negative DKK 107 million at 31 December 2017.

The Company's continued operation is dependent on financing from Lycatel/Lycamobile Group companies in order for the Company to honor its obligations. The Company has received a letters of support dated 10 April 2018 from three related Lycatel/Lycamobile Group companies, which confirms that they will refrain from calling upon their receivables from the Company until the next general meeting in 2019 if, by calling these receivables, will lead to financial strain on the Company.

The Executive Board believes there is a chance of winning the VAT dispute and thus re-establish the share capital through future profits. The VAT dispute is not expected to be settled within the next twelve months. If, against the Executive Board's expectations, the outcome of the VAT dispute is lost fully or partially, the dispute is lost fully or partially, the Company will be dependent on further financial support to continue as a going concern.

Based on the Executive Board's expectation to receive financial support from Lycatel/Lycamobile Group companies during 2018 and to win the VAT dispute, the financial statements for 2017 have been prepared under a going concern assumption.

DKK'000	2017 12 months	2016 10 months
3 Staff costs		
Wages/salaries	979	1,728
Pensions	3	11
Other social security costs	82	0
	<u>1,064</u>	<u>1,739</u>

4 Other operating expenses

The recognised amount solely relates to the provision for the VAT dispute.



Financial statements 1 January - 31 December

Notes to the financial statements

- 5 Tax for the year
- | | | |
|--------------------------------------|-----------|-----------|
| Estimated tax charge for the year | 22 | 43 |
| Deferred tax adjustments in the year | -7 | -22 |
| | <u>15</u> | <u>21</u> |
- 6 Property, plant and equipment
- | DKK'000 | Fixtures and fittings, other plant and equipment |
|--|--|
| Cost at 1 January 2017 | <u>1,195</u> |
| Cost at 31 December 2017 | <u>1,195</u> |
| Impairment losses and depreciation at 1 January 2017 | 778 |
| Depreciation | <u>183</u> |
| Impairment losses and depreciation at 31 December 2017 | 961 |
| Carrying amount at 31 December 2017 | <u>234</u> |
- 7 Unsettled balances with parties in the Lycate/Lycamobile network
- Of the total other receivable at 31 December 2017, DKK 8.2 million relate to entities within the Lycatel/Lycamobile Group.
- Of the total other payables at 31 December 2017, DKK 37.9 million relate to entities within the Lycatel/Lycamobile Group.
- 8 Share capital
- The Company's share capital has remained DKK 125 thousand over the past 5 years.
- 9 Other provisions
- A provision of net DKK 76 million has been recognised to cover a possible loss of the VAT dispute with the Danish tax authorities as of 31 December 2017. The provision includes the entire disputed amount of DKK 106 million. Due to the ongoing dispute, the Company has not received any VAT receivables since its formation. The recognised amount of VAT receivables totals DKK 30 million at 31 December 2017.
- For further description of the VAT dispute please refer to note 2.



Financial statements 1 January - 31 December

Notes to the financial statements

10 Contractual obligations and contingencies, etc

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 360 thousand in interminable rent agreements with remaining contract terms of 6 months.

11 Related parties

Lycamobile Denmark ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Allirajah Subaskaran	2nd Floor, Walbrook Building 195 Marsh Wall London E14 9SG UK	Shareholding