

# Lycamobile Denmark ApS

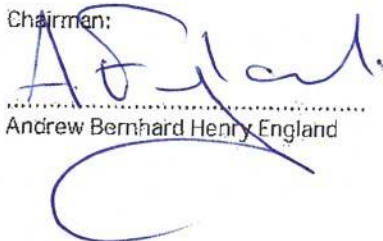
Sydmarken 32, 1., 2860 Søborg

CVR no. 32 56 04 66

## Annual report 2018

Approved at the Company's annual general meeting on 25 June 2019

Chairman:



.....  
Andrew Bernhard Henry England



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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 2018.


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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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, 25 June 2019  
Executive Board:



Andrew Bernard Henry  
England

## Independent auditor's report

To the shareholder of Lycamobile Denmark ApS

### Adverse opinion

We have audited the financial statements of Lycamobile Denmark ApS for the financial year 1 January - 31 December 2018, 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.

In our opinion, because of the significance of the matter described in the "Basis for adverse opinion" section, the financial statements do not give a true and fair view of the financial position of the Company at 31 December 2018 or of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for adverse opinion

The Company has recognised a provision of net DKK 92 million regarding the VAT dispute. The Danish tax authorities have requested that the Company pay an outstanding amount of DKK 110 million. We have not been provided with sufficient audit evidence documenting that the Company, its shareholders or the Lycatel/Lycamobile group companies, who have issued a letter of support, have the ability to pay the requested amount. Consequently, we find Management's use of the going concern basis of accounting in the presentation of the financial statements inappropriate, and we find that the Company may be unable to realise its assets and settle its obligations in the ordinary course of business.

We modified our opinion on the financial statements for 2017 due to the fact that we were unable to obtain sufficient and appropriate audit evidence for the valuation of the carrying amount of the Company's receivable from group companies amounting to DKK 8.3 million. As the valuation of the receivable at the beginning of the current year is included in the determination of the write-down of the receivable in the current year, we have not been able to determine whether adjustments to the loss for the year might have been necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### Independence

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

### 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.

## Independent auditor's report

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

As stated in the "Basis for adverse opinion" section, our opinion on the financial statements is modified because of the uncertainty of going concern. For the same reason, we believe that the Management's review is materially misstated in relation to the assessment of going concern.

**Independent auditor's report****Report on other legal and regulatory requirements*****Non-compliance with Danish VAT legislation***

The Company has not filed VAT statements to the Danish Customs and Tax Administration in due time and does thus not comply with Danish VAT legislation.

The Company's Management may incur liability in this respect.

***Non-compliance with the Danish Bookkeeping Act***

In our opinion, the Company has not complied with the requirements of the Danish Bookkeeping Act regarding retention of accounting records.

The Company's Management may incur liability for non-compliance with the Danish Bookkeeping Act.

Copenhagen, 25 June 2019  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Henrik Pedersen  
State Authorised Public Accountant  
mne35456



## Management's review

### Company details

Name	Lycamobile Denmark ApS
Address, Postal code, City	Sydmarken 32, 1., 2860 Søborg
CVR no.	32 56 04 66
Established	29 October 2009
Registered office	Gladsaxe
Financial year	1 January - 31 December
Executive Board	Andrew Bernard Henry England
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Business review

The main activity of Lycamobile Denmark ApS is to provide services, such as marketing and sales support, to companies in the Lycatel/Lycamobile network.

### Recognition and measurement uncertainties

The Company has a pending VAT dispute from last year. Due to the uncertainty of the outcome of the dispute, a provision of net DKK 92 million has been recognised in the balance sheet at 31 December 2018 (2017: DKK 76 million). The increase is mainly related to interests regarding the dispute, which have been accrued in 2018. The total provisioned amount is based on external legal advice and is subject to significant uncertainty. The Company believes it has a chance of winning the dispute. The VAT dispute has not been resolved at the time of the financial reporting.

Reference is made to note 11 for more details.

### Unusual matters having affected the financial statements

#### *Going concern*

With reference to the section above, the Company has recognised a provision related to the VAT dispute, which significantly affects the Company's equity amounting to negative DKK 132 million at 31 December 2018.

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 20 May 2019 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 2020, if, by calling these receivables, will lead to financial strain on the Company and to financially support the Company, if the VAT dispute is lost fully or partially or the requested payment falls due.

Based on the Company's expectations to receive sufficient financial support from Lycatel/Lycamobile group companies during 2019 and to win the VAT dispute, the financial statements for 2018 have been prepared under a going concern assumption.

Reference is made to note 2 for more details.

### Financial review

The income statement for 2018 shows a loss of DKK 24,394 thousand against a profit of DKK 991 thousand last year, and the balance sheet at 31 December 2018 shows a negative equity of DKK 131,812 thousand. The Company has lost its share capital and is thus subject to the capital loss provision of the Danish Companies Act.

As mentioned in the "Recognition and measurement uncertainties" section, the Company has recognised interest related to the VAT dispute, amounting to DKK 16,150 thousand, as well as recognised a write-down of intercompany receivables of DKK 8,165 thousand, which significantly affected the results for 2018.

### Events after the balance sheet date

In May 2019, the Danish tax authorities requested that the full disputed amount of DKK 110 million be paid despite the VAT dispute has not been resolved. The request is currently being questioned by the Company's legal advisors. The discussions with the Danish tax authorities have resulted in a temporary postponement of the requested payment.

If or when the requested payment of DKK 110 million falls due, the Company's continued operations are dependent on further financing from Lycatel/Lycamobile group companies. The Company expects that further financing will be obtained from Lycatel/Lycamobile group companies, and accordingly, the financial statements for 2018 have been prepared under the going concern assumption.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2018	2017
	<b>Gross profit</b>	3,387	263
3	Staff costs	-2,765	-1,064
	Depreciation and impairment of property, plant and equipment	-173	-183
4	Other operating expenses	-8,165	962
	<b>Profit/loss before net financials</b>	-7,716	-22
5	Financial income	0	1,028
6	Financial expenses	-16,430	0
	<b>Profit/loss before tax</b>	-24,146	1,006
7	Tax for the year	-248	-15
	<b>Profit/loss for the year</b>	<u>-24,394</u>	<u>991</u>
	<b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	<u>-24,394</u>	<u>991</u>
		<u>-24,394</u>	<u>991</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2018	2017
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	170	234
		<u>170</u>	<u>234</u>
	<b>Total fixed assets</b>	<u>170</u>	<u>234</u>
	<b>Non-fixed assets</b>		
	<b>Receivables</b>		
	Trade receivables	0	143
	Deferred tax assets	0	32
9	Other receivables	68	8,314
	Prepayments	9	267
		<u>77</u>	<u>8,756</u>
	<b>Cash</b>	<u>0</u>	<u>256</u>
	<b>Total non-fixed assets</b>	<u>77</u>	<u>9,012</u>
	<b>TOTAL ASSETS</b>	<u><u>247</u></u>	<u><u>9,246</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2018	2017
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
10	Share capital	125	125
	Retained earnings	-131,937	-107,543
	<b>Total equity</b>	<u>-131,812</u>	<u>-107,418</u>
	<b>Provisions</b>		
11	Other provisions	92,098	76,375
	<b>Total provisions</b>	<u>92,098</u>	<u>76,375</u>
	<b>Liabilities other than provisions</b>		
	<b>Current liabilities other than provisions</b>		
	Trade payables	580	1,230
	Corporation tax payable	269	54
9	Other payables	38,815	38,925
	Accrued costs	297	80
		<u>39,961</u>	<u>40,289</u>
	<b>Total liabilities other than provisions</b>	<u>39,961</u>	<u>40,289</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>247</u>	<u>9,246</u>

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

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2018	125	-107,543	-107,418
Transfer through appropriation of loss	0	-24,394	-24,394
Equity at 31 December 2018	125	-131,937	-131,812

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Lycamobile Denmark ApS for 2018 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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue consists of service fee based on mark-up agreement on incurred costs related to the Danish market. Revenue is 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 profit

The items revenue, cost of goods, other operating income and external expenses have been aggregated into one item in the income statement called gross profit 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 and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

##### Accrued costs

Accrued costs recognised as a liability comprises of accrued costs and are measured at realisable value.

#### 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 92 million. The provision related to the VAT dispute significantly affects the Company's equity amounting to a negative DKK 132 million at 31 December 2018.

The Company's continued operations are dependent on financing from Lycatel/Lycamobile group companies in order for the Company to meet its obligations. The Company has received a letter of support dated 20 May 2019 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 2020, if calling these receivables will lead to financial strain on the Company and that they will financially support the Company if the VAT dispute is lost fully or partially, or the requested payment falls due.

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 and the requested payment is not expected to be settled/paid within the next twelve months. If, against the Executive Board's expectations, the VAT dispute is lost fully or partially or the payment falls due, the Company will be dependent on further financial support to continue as a going concern.

The Danish tax authorities have requested that the full amount of DKK 110 million be settled in May 2019; otherwise the Danish tax authorities will file a request for bankruptcy. The request is currently being discussed with the Danish tax authorities, and the payment request has been temporarily postponed. Based on the Executive Board's expectation of receiving financial support from Lycatel/Lycamobile group companies during 2019 and to receive further financial support in case the Company loses the VAT dispute or the requested payment of DKK 110 million falls due, the financial statements for 2018 have been prepared under a going concern assumption.

DKK'000	2018	2017
<b>3 Staff costs</b>		
Wages/salaries	2,745	979
Pensions	12	3
Other social security costs	8	82
	2,765	1,064
Average number of full-time employees	5	1



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 4 Other operating expenses

In 2018, the recognised amount solely relates to the write-down of other receivables from Hastings Denmark ApS.

In 2017, the recognised amount solely related to the provision for the VAT dispute.

DKK'000	2018	2017
<b>5 Financial income</b>		
Exchange adjustments	0	1,028
	<u>0</u>	<u>1,028</u>
<b>6 Financial expenses</b>		
Interest in connection with VAT dispute	16,150	0
Exchange adjustments	280	0
	<u>16,430</u>	<u>0</u>
<b>7 Tax for the year</b>		
Estimated tax charge for the year	109	22
Deferred tax adjustments in the year	32	-7
Tax adjustments, prior years	107	0
	<u>248</u>	<u>15</u>

#### 8 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2018	1,195
Additions	110
Disposals	-50
Cost at 31 December 2018	<u>1,255</u>
Impairment losses and depreciation at 1 January 2018	961
Depreciation	174
Depreciation and impairment of disposals	-50
Impairment losses and depreciation at 31 December 2018	<u>1,085</u>
<b>Carrying amount at 31 December 2018</b>	<u>170</u>

#### 9 Unsettled balances with parties in the Lycate/Lycamobile network

Of the total other receivable at 31 December 2018, DKK 0 million (2017: DKK 8.2 million) related to entities within the Lycatel/Lycamobile Group.

Of the total other payables at 31 December 2018, DKK 37.4 million (2017: DKK 37.9 million) relates to entities within the Lycatel/Lycamobile Group.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 10 Share capital

The Company's share capital has remained DKK 125 thousand over the past 5 years.

#### 11 Other provisions

A provision of net DKK 92 million has been recognised to cover a possible loss of the VAT dispute with the Danish tax authorities at 31 December 2018. The net provisioned amount is based on external legal advice and is subject to significant uncertainty. The provision includes the entire disputed amount including interests. Due to the ongoing dispute, the Company has not received any VAT receivables since its formation. The recognised amount of VAT receivables totalled DKK 16 million at 31 December 2018.

For further description of the VAT dispute, please refer to note 2.

#### 12 Contractual obligations and contingencies, etc.

##### Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 68 thousand in interminable rent agreements with remaining contract terms of 6 months.

#### 13 Related parties

Lycamobile Denmark ApS' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Allirajah Subaskaran	United Kingdom	Shareholding 98%

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

Name	Domicile
Silinasco Holdings Limited	Karaiskaki 13 3032 Limasol Cyprus