

Registered number: 05903820

LYCAMOBILE UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 MARCH 2016 TO 31 DECEMBER 2016



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Directors

A Subaskaran
A S Premananthan

Company Secretary

S Soni

Registered Office

3rd Floor
Walbrook Building
195 Marsh Wall
London E14 9SG

Independent Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

Company Number

05903820

Strategic Report for the 10 Month Period Ended 31 December 2016

The Directors present their Annual Report and Financial Statements of the Group (comprising Lycamobile UK Limited and its subsidiary) for the 10 month period ended 31 December 2016. The Company shortened its accounting period from 28 February 2017 to 31 December 2016 to be coterminous with other related party undertakings under common control.

Principal Activity

The Group's principal activities in the period under review are the provision of telecommunication services as a Mobile Virtual Network Operator ('MVNO') within the UK and Tunisian markets. Lycamobile UK Limited ("the Company") first launched mobile operations in the United Kingdom in September 2008 and is now one of the largest MVNO's in the United Kingdom, with industry awards for excellence and innovation for its services and products. The Group also launched mobile operations in Tunisia in November 2015. As a MVNO provider, the Group provides telecommunication services to the customers via third party national mobile networks provided by a Mobile Network Operator under a contractual agreement.

The Group initially developed for the expatriate communities in UK and has fast become a global brand synonymous with connecting customers with their loved ones across oceans, borders and networks at the cheapest possible price.

The Group heavily invested to upgrade/develop its own telecom platforms to provide continuous award winning services to its customers as well as its related parties.

In addition, the Group success involves investing heavily in marketing and promotional activities to attract new customers while retaining existing customers.

Business in Tunisia

The Company established itself in the Tunisian telecoms market through Tunisia Services SARL, a Tunisian company in which it owns 49.99% of the shares. The Company also entered into a separate management agreement with Tunisia Services SARL. The Company, after evaluating the effect of the management agreement together with its shareholding percentage of 49.99% in Tunisia Services SARL, has assessed that the Company continues to have the power to control the operational and financial performance of Tunisia Services SARL and therefore consider it to be a subsidiary of the Company. Consequently, the financial statements of Tunisia Services SARL are consolidated in these financial statements.

Corporate Governance

Responsibility for robust and strong corporate governance lies with the Board and the Board recognises in full its obligation and continuing responsibility for organising and directing the overall affairs of the Group in a way that is in the best interests of the shareholders. This involves detailed discussion and strategic review of the financial and operational performance of the Group as well as review of risk and internal controls.

In particular, the Group adopts an entrepreneurial business approach, providing leadership and expertise to other related party companies.

The Board is also responsible for the overall management of the Group's business and is accountable to the shareholders as well as for setting out the Group strategy and performance review and for the long term success of the Group, as well as ensuring that the Group is adequately resourced, that the appropriate skills are in place and that the management team are meeting their objectives whilst ensuring that shareholder value is maintained.

Review of business

The Group reported £167.8m revenue for the 10 month period ended 31 December 2016 compared to £194.8m for the previous year which, when adjusted for a comparable 10 month basis, represents an increase of 3.4%. The gross profit margin has decreased from 45.3% in the year ended 29 February 2016 to 42.6% in the period ended 31 December 2016. The growth in revenue has been achieved as a result of continuing to deliver a quality customer service to our customers and this has been supported by focussed promotional and advertising activity in the United Kingdom market. The decrease in gross profit percentage is driven by an increase in airtime cost.

Operating profit for the 10 month period increased by 2.8% to £11.2m (year ended 29 February 2016: £10.9m), primarily due to a fall in the level of impairment of related party receivables. The operating profit margin after excluding the impairment of receivables has deteriorated in the 10 month period to 31 December 2016 compared to the previous year. The decline is primarily due to the decrease in gross profit which is driven by an increase in airtime cost. Administrative expenses were £60.8m (year ended 29 February 2016: £71.7m) which is relatively stable when compared to the previous year.

The Group adopts a usage policy for recognising income. The amounts of income which are deferred until future use are held within the deferred income account in the Statement of Financial Position. The Group defers the recognition of income until such time as the customers use their balances or when the balances expire after a period of non-utilisation as set out in the terms and conditions of the customer's contract. All amounts held in deferred income relating to future usage are identifiable to individual customers.

Key Performance Indicators

The Group's key performance indicators used by the Directors to assess the performance of the business, and performance against them, are summarised below:

	31 December 2016	29 February 2016
Active subscribers	2,452,429	2,424,393
Churn %	9%	8%

Active subscribers is for active customers as at 31 December 2016 and 29 February 2016. Subscribers are defined as active customers if they have made an outbound call, text or used data in the proceeding 90 days' period.

Active number of customer base has increased by 28,036 customers and the 90 day churn % has deteriorated by 1%.

Churn is a measure of the number of customers that have been inactive on the network during the last 90 days as a percentage of the active subscriber base.

The overall increase in customer base is primarily reflects the Group strategy in acquiring customers and retaining existing customers by offering quality services. There were no seasonal promotions during the period ended of December 2016, which resulted in a slight deterioration in churn %. However, new marketing propositions are being discussed by the Directors with the objective of maintaining the targeted customer base.

Profit for the Financial Period

The profit for the period after taxation is £6.4m (year ended 29 February 2016: £6.6m).

The Group trades with other affiliated and related party companies (see note 19) and the Group, its affiliates and related parties are included in an operating model that ensures revenue and profits are economically allocated to the Group which has earned them.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group have been reviewed in detail by the Directors and no material additional risk or uncertainty has been identified other than those detailed below. These risks are broadly grouped within competitive, operational, regulatory and financial risk. The Directors' risk management objectives consist of identifying and monitoring those risks which could have an adverse impact on the Group's assets, profitability or cash flows.

Competitive Risk

The Group's various MVNO markets remain competitive with new entrants able to join relatively easily, resulting in pricing risk. This also increases the risk of higher customer churn rates and threats to market share. It has proven difficult for any new entrant to achieve any scale, however, and the combination of any new entrant's inability to match Lycamobile's tariff rates for any length of time as well as a lack of national distribution mitigates this risk. This competitive risk is further mitigated by regular reviews of competitive offerings and market providers, together with a focus on new products, new technology and delivering high quality customer service. Actions are taken immediately where possible.

Operational Risk

The main operational risk relating to the Group is the operation of the telecommunication service agreement with the Mobile Network Operator. The Group's ability to provide services to its customers depends on maintaining an agreement with its Mobile Network Operator or acquiring a new agreement with other Mobile Network Operators for network services. The Group currently operates solely within a long term telecommunication service agreement for the network services. The Group does not have any dependency on voice or non-voice services from the Mobile Network Operator which it provides to its customers itself. This overall operational risk is mitigated by ensuring that the term on the network service agreement is extended to a duration exceeding 12 months wherever possible.

Regulatory Risk

The Group's telecommunication services are regulated together with the industry as a whole. Full compliance with regulatory requirements is monitored by senior management in conjunction with the Group's in-house legal team.

Although Article 50 of the European Treaty to leave the EU has been invoked and the impact of foreign currency fluctuations has been evident, the threats and opportunities of 'Brexit' are still largely unknown, not least the uncertainty around trade and customs arrangements after March 2019. The Group is monitoring developments closely.

Financial Risk

The area of most significant financial risk is the on-going reduction of mobile termination revenue or 'MTR' rates.

MTR overall is on a downward glide-path and is phasing out completely worldwide in the mobile telecoms industry as a result of regulatory action. This has an impact on the Group and implies a loss of MTR revenue in the future. This overall decline in MTR rates is not specific to Lycamobile, and affects telecom companies across the world. However, to mitigate this potential loss of future revenue, termination costs of outgoing calls will reduce, which will partly offset the revenue decline. The overall effect of this MTR decline is not regarded as significant to the Group which, as with other telecom companies, will be seeking to replace the loss of revenue from alternative sources, for example data services.

In addition, the Group has undertaken a risk assessment within the non-trading areas of the business, which could have a material effect on the performance of the business. These are classified under financial risk, categorised into foreign exchange, credit risk and liquidity risk.

Principal Risks and Uncertainties (Continued)***Foreign Exchange Risks***

The Group's sales continue to be made in British pounds sterling and Tunisian dinar. The Group also has certain balances due to or from related parties in other currencies, primarily Euros, and the Group is therefore exposed to currency movements. As a matter of policy, the Group chooses not to currently use financial derivatives or currency hedging to manage its exposure.

Credit Risk

The Group has a significant concentration of credit risk as a result of balances due to and from related parties. The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily attributable to the amounts due from related parties. The amounts presented in the Statement of Financial Position are presented net of any impairment. Each balance is reviewed and an assessment of recoverability of the balance has been made individually, with any impaired amount taken directly to profit or loss. The credit risk on bank balances is considered limited because the counterparties are banks with high credit ratings.

The Group has undergone a process to review the recoverability of intercompany balances owing at year end. In doing so it has taken the step to reduce the value of the debtors outstanding based upon various criteria including the counterparties profitability, financial stability and subsequent repayment. It was determined that sixteen debtor balances required impairment. The value of this impairment was £0.35m (29 February 2016: £6m).

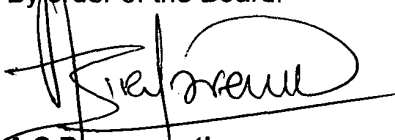
Liquidity Risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations. The Group and Parent Company, in conjunction with related parties, monitors rolling forecasts to ensure it has sufficient cash to meet operational needs.

Future Developments

The Directors remain optimistic for the future. Activities planned to enhance performance include additional discount for bundled services, which will include limited and unlimited national, international and data offers as well as additional top-up bonuses in the market. The Directors aim to maintain a strategy to continue to improve performance and drive the business through targeted growth opportunities.

By order of the Board:



A S Premananthan
Director

23rd March 2018

The Directors present their Annual Report with the Financial Statements of the Group ("Lycamobile UK Ltd" and its subsidiary) for the 10 month period 1 March 2016 to 31 December 2016.

Dividends

The Directors do not propose a final dividend for the period (year ended 29 February 2016: £nil). No dividend was paid during the 10 month period ended 31 December 2016 (year ended 29 February 2016: £nil).

Directors

The Directors who have held office during the period from 1 March 2016 to the date of this report are as follows:

A Subaskaran
A S Premananthan

Related Party Transactions

The Group's individual shareholders have similar interests in a range of related companies. As these companies are under common control, transactions between Lycamobile UK Ltd, Tunisian Services SARL and these companies are related party transactions. Details of these transactions are disclosed under notes to the financial statements.

Political and Charitable Contributions

During the period the Group made political contributions of £50,000 (year ended 29 February 2016: £867,030) to the Conservative Party in the United Kingdom. In addition, the Group donated £1,301,500 (year ended 29 February 2016: £2,199,849) to charities across a range of national and international charities, including the British Asian Trust and Gnanam Foundation which offers support for disadvantaged children internationally, for which Mr A Subaskaran is on the Board of Trustees.

Employment Policies and Involvements

Opportunities are available to disabled employees for training, career development and promotion. The Group does not condone unfair treatment of any kind and offers equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job.

Should any existing employee become unfortunately disabled during their employment, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The Group's employment policy is fully compliant with all legal and cultural requirements and seeks to maintain high standards and strong employee relations with all of its employees within a diverse and inclusive environment.

Creditors Payment Policy

The Group's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

Going Concern

The financial statements have been prepared on a going concern basis. The directors believe the Group and Parent Company will be able to continue to operate and meet its obligations as they fall due for the foreseeable future.

The Group has reported:-

- an operating profit for the 10 month period of £11.2m (year ended 29 February 2016: £10.9m);
- net current assets of £30.9m (29 February 2016: £26.8m); and
- positive net cashflows from operating activities for the 10 month period of £14.3m (year ended 29 February 2016 £10.6m)

as evidenced on page 18 in the Consolidated Statement of Cashflows.

The majority of the cash flows associated with investing and financing activities are ultimately either discretionary and/or with related parties under the control of Mr A Subaskaran.

The directors have reviewed the Group's business activities, together with the factors likely to affect the Group's future development, performance and position. This includes its current financial position, financial risk management objectives, its exposures to tariff changes, liquidity and cashflow risk as described in the Strategic Report on pages 4 to 7. Based on these considerations the directors have prepared a forecast trading of cash inflows and outflows for the Group and have no reason to believe cash generated for operating activities will be less than that historically generated.

The directors have reviewed these trading and operational cashflow forecasts for the Group for the periods ending 31 December 2019 including in the forecast those factors which the directors consider could materially affect forecast cashflow during the period, both positively and negatively.

This review has included an overlay of probable sensitivity analysis to key assumption changes, including potential market tariff and market share changes, and demonstrates that there are no material variations to the forecast cashflow generated from operations.

The directors have also reviewed the asset and liability bases of the Group as at the date of approval of these financial statements and separately considered those which are third party and those which are 'related' to other companies controlled by the same ultimate shareholder.

The Group and its related parties form an operating model that ensures revenue and profits are economically allocated to the group which has earned them. As such the Group has substantial trading transactions with other related party companies and there may be significant amounts due to or from those parties that are repayable on demand. The Group may also be called upon to fund related parties however there is no obligation to do so.

Third party cash related liabilities will be settled from the cash flow forecasts as they fall due in the normal course of business via the MVNO group Treasury function. Related party liabilities will be settled only when sufficient surplus working capital is available.

The directors have further mitigated any potential related party risk by receiving an undertaking from the owners of certain material related party creditor companies that liabilities will not be demanded and repaid by the Group for a period of at least twelve months from the date of signing these financial statements, unless sufficient surplus funds are available, or if doing so could jeopardise, in the opinion of the Company's directors, the Company and Group's ability to meet its debts as they fall due.

The directors have additionally concluded, following a review of related party receivables, that whilst operational cash headroom would be significantly reduced in the event of difficulty collecting these balances, this would not itself jeopardise the going concern conclusion that that directors have reached.

Going Concern (continued)

As referred to in note 21, the Company is in dispute with HM Revenue and Customs in relation to treatment of VAT on certain classes of transactions. A provision has been recorded of £32.7m to reflect the Company's current best estimate of the potential exposure as at 31 December 2016. The directors have increased the provision in line with the VAT position taken by the Group since that date. The full amount provided within creditors is currently under appeal with HM Revenue & Customs and the directors remain confident of a successful outcome. Also, in accordance with required practice, the Company has sought postponement from collection of this amount whilst under appeal but at the date of approval of these financial statements has not received confirmation of postponement from HM Revenue and Customs. Despite the uncertain nature of the timing and quantum of a potential liability, the directors also consider that there is a remote likelihood of any amount relating to this provision being due within the next 12 months from approval of these financial statements, due to the matter's complexity and length of appeal process. This remote financial risk has been further mitigated by the availability of financial support from related parties, should it be required. The directors have confirmed the validity of this conclusion by undertaking a review of the cashflows for the related party companies within the MVNO group which show sufficient cashflow headroom for this provision to be met from wider operational cashflow.

On the basis of their assessment of the Group's financial position, the directors consider that the Group is well placed to manage its business risks successfully and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Liquidity and Capital Resources

The major source of Group liquidity for the December 2016 financial period was cash generated from operations. The Group's key sources of liquidity for the foreseeable future will likely be cash generated from operations.

Events after the Reporting Date

Please refer to note 20 for details on events after the reporting date.

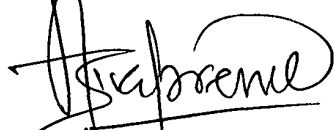
Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

PKF Littlejohn LLP were appointed auditor on 3 August 2017. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

By order of the Board



A S Premananthan
Director

23rd - March 2018

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss for that period. In preparing each of the Group and the Parent Company financial statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Lycamobile UK Limited

We have audited the financial statements of Lycamobile UK Limited for the period 1 March 2016 to 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (*United Kingdom Generally Accepted Accounting Practice*), including FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.5 to the financial statements concerning the Group's and Parent Company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mark Ling (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

23 March

2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
10 MONTH PERIOD ENDED 31 DECEMBER 2016

	Note	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Turnover	2	167,792	194,816
Cost of sales		(96,246)	(106,628)
Gross Profit		<u>71,546</u>	<u>88,188</u>
Administrative expenses		(60,757)	(71,730)
Impairment of related party receivables	19	(347)	(5,963)
Other operating income	3	765	371
Operating Profit	3	<u>11,207</u>	<u>10,866</u>
Interest payable and similar charges	5	(742)	(694)
Interest receivable and similar income	5	432	-
Gain on revaluation of investment property	10	199	800
Profit before Taxation		<u>11,096</u>	<u>10,972</u>
Tax on profit	6	(4,656)	(4,359)
Profit for the Financial Period/Year		<u>6,440</u>	<u>6,613</u>
Profit/(Loss) for the Financial Period/Year			
Attributable to:			
Non-controlling interest		(544)	(588)
Owners of the parent entity		6,984	7,201

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
10 MONTH PERIOD ENDED 31 DECEMBER 2016

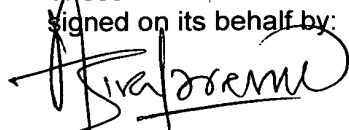
	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Profit for the financial period/year	6,440	6,613
Other comprehensive expense	-	-
Total Comprehensive Income for the Period/Year	<u>6,440</u>	<u>6,613</u>
Total Comprehensive Income for the Financial Period/Year		
Attributable to:		
Non-controlling interest	(544)	(588)
Owners of the parent entity	6,984	7,201

All of the activities of the Group are classed as continuing.

The notes on pages 19 to 46 form part of these financial statements.

		31 December 2016 £'000	31 December 2016 £'000	29 February 2016 £'000	29 February 2016 £'000
	Note				
Fixed Assets					
Tangible assets	7		12,548		14,993
Intangible assets	8		249		275
Investment property	10		3,300		3,101
			<hr/>		<hr/>
			16,097		18,369
Current Assets					
Debtors (including £12,579k (29 February 2016: £4,801k) due after more than one year)	11	165,332		157,977	
Cash at bank and in hand		1,463		1,814	
		<hr/>		<hr/>	
		166,795		159,791	
Creditors : amounts falling due within one year	12	(135,944)		(133,017)	
		<hr/>		<hr/>	
Net Current Assets			30,851		26,774
			<hr/>		<hr/>
Total Assets Less Current Liabilities			46,948		45,143
Creditors : amounts falling due after more than one year	13		(33,316)		(35,292)
			<hr/>		<hr/>
Net Assets			13,632		9,851
			<hr/>		<hr/>
Capital and Reserves					
Called up share capital	17		-		-
Capital contribution			1,966		2,219
Profit and loss account			12,798		8,220
			<hr/>		<hr/>
Equity Attributable to Parent's Shareholders			14,764		10,439
Non-controlling interest			(1,132)		(588)
			<hr/>		<hr/>
Total Equity			13,632		9,851
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 23rd March 2018 and were signed on its behalf by:

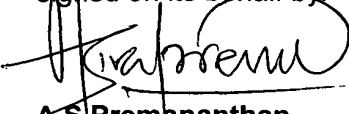

A S Premananthan
Director

The notes on pages 19 to 46 form part of these financial statements.

	Note	31 December 2016 £'000	31 December 2016 £'000	29 February 2016 £'000	29 February 2016 £'000
Fixed Assets					
Tangible assets	7		12,346		14,737
Investments	9		52		52
Investment property	10		3,300		3,101
			<hr/>		<hr/>
			15,698		17,890
Current Assets					
Debtors (including £12,579k (29 February 2016: £4,801k) due after more than one year)	11	168,372		158,887	
Cash at bank and in hand		1,397		1,751	
		<hr/>		<hr/>	
			169,769		160,638
Creditors : amounts falling due within one year	12	(136,267)		(132,219)	
		<hr/>		<hr/>	
Net Current Assets			33,502		28,419
			<hr/>		<hr/>
Total Assets Less Current Liabilities			49,200		46,309
			<hr/>		<hr/>
Creditors : amounts falling due after more than one year	13		(33,316)		(35,292)
			<hr/>		<hr/>
Net Assets			15,884		11,017
			<hr/>		<hr/>
Capital and Reserves					
Called up share capital	17		-		-
Capital contribution			1,966		2,219
Profit and loss account			13,918		8,798
			<hr/>		<hr/>
Shareholders' Funds			15,884		11,017
			<hr/>		<hr/>

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Parent Company profit for the period was £7,526,000 (year ended 29 February 2016: £7,779,000).

These financial statements were approved by the Board of Directors on 23rd March 2018 and were signed on its behalf by:


A S Premananthan
Director

The notes on pages 19 to 46 form part of these financial statements.

LYCAMOBILE UK LIMITED
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
10 MONTH PERIOD ENDED 31 DECEMBER 2016**

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000	Non- controlling interests £'000	Total Equity £'000
As at 1 March 2015	-	2,044	1,687	3,732	-	3,732
Initial recognition differences/ unwinding of finance costs	-	175	107	282	-	282
Total comprehensive income	-	-	7,201	7,201	(588)	6,613
Distribution (see note 11)	-	-	(775)	(775)	-	(775)
As at 29 February 2016	-	2,219	8,220	10,439	(588)	9,851
Unwinding of finance costs	-	(253)	253	-	-	-
Total comprehensive income	-	-	6,984	6,984	(544)	6,440
Distribution (see note 11)	-	-	(2,659)	(2,659)	-	(2,659)
As at 31 December 2016	-	1,966	12,798	14,764	(1,132)	13,632

**COMPANY STATEMENT OF CHANGES IN EQUITY
10 MONTH PERIOD ENDED 31 DECEMBER 2016**

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total Shareholders' funds £'000
As at 1 March 2015	-	2,044	1,687	3,731
Initial recognition differences/ unwinding of finance costs	-	175	107	282
Total comprehensive income	-	-	7,779	7,779
Distribution (see note 11)	-	-	(775)	(775)
As at 29 February 2016	-	2,219	8,798	11,017
Total Comprehensive Income for Period	-	-	-	-
Unwinding of finance costs	-	(253)	253	-
Total comprehensive income	-	-	7,526	7,526
Distribution (see note 11)	-	-	(2,659)	(2,659)
As at 31 December 2016	-	1,966	13,918	15,884

The notes on pages 19 to 46 form part of these financial statements.

LYCAMOBILE UK LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS
10 MONTH PERIOD ENDED 31 DECEMBER 2016

		Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
	Note		
Cash Flows from Operating Activities			
Profit for the period/year		6,440	6,613
Adjustments for:			
Depreciation, amortisation and impairment		6,234	12,743
Gain on revaluation of investment property	10	(199)	(800)
Interest payable and similar charges	5	742	694
Interest receivable and similar income	5	(432)	-
Tax charge for the period/year		4,656	4,359
		<hr/>	<hr/>
Operating cash flow before movement in working capital		17,441	23,609
Decrease/(increase) in debtors		553	(15,787)
(Decrease)/increase in creditors		(1,438)	4,139
		<hr/>	<hr/>
Tax paid		16,556	11,961
		(2,293)	(1,315)
		<hr/>	<hr/>
Net Cash Flows from Operating Activities		14,263	10,646
Cash Flows from Investing Activities			
Acquisition of tangible fixed assets		(1,845)	(5,516)
Acquisition of intangible assets		-	(300)
Loans advanced during the period/year		-	(1,200)
		<hr/>	<hr/>
Net Cash used in Investing Activities		(1,845)	(7,016)
Cash Flows from Financing Activities			
Interest paid		(168)	(237)
Interest portion of lease liabilities		(321)	(409)
Payments of lease liabilities		(1,436)	(2,628)
Loans received during the period/year		37	5,038
Loans advanced during the period/year		(8,325)	-
Loans repaid during the period/year		(2,556)	(4,245)
		<hr/>	<hr/>
Net Cash used in Financing Activities		(12,769)	(2,481)
		<hr/>	<hr/>
Net (Decrease)/Increase in Cash in the Period/Year		(351)	1,149
		<hr/>	<hr/>
Cash and Cash Equivalents as at 1 March		1,814	665
		<hr/>	<hr/>
Cash and Cash Equivalents at 31 December/29 February		1,463	1,814
		<hr/>	<hr/>
Non Cash Transactions:			
Assets acquired under finance lease		1,573	1,766
Discounting of long term payables at inception		-	282
Unwinding of discount of long term payable		(252)	(107)
Discounting of long term receivables at inception		(2,659)	(775)
Unwinding of discount on long term receivables		412	59
		<hr/>	<hr/>

The notes on pages 19 to 46 form an integral part of these financial statements.

1. Accounting Policies**1.1 Basis of Preparation**

Lycamobile UK Limited is a private company limited by shares and incorporated and domiciled in England, United Kingdom. The address of its registered office is 3rd Floor, Walbrook Building, 195 Marsh Wall, London, E14 9SG. The functional and presentational currency of the Group and Company is GBP.

The Company changed the current reporting date to 31 December 2016 to be in line with other related companies, resulting in a 10 month reporting period. The comparative amounts presented in the financial statements represent a full year and are therefore not entirely comparable.

The Company has investments in the following subsidiary undertaking:

Name of the Entity	Principal Activity	Country of Registration	Ownership
Tunisia Services SARL	Telecommunication services	Tunisia	49.99%

Lycamobile UK Limited established itself in the Tunisian telecoms market through Tunisia Services SARL, a Tunisian company in which it owns 49.99% of shares. The Company also entered into a separate management agreement with Tunisia Services SARL. The Company, after evaluating the effect of the management agreement together with its shareholding percentage of 49.99% in Tunisia Services SARL, has assessed that the Company has power to control the operational and financial performance of Tunisia Services SARL and therefore consider it to be a subsidiary of the Company. Consequently, the financial statements of Tunisia Services SARL are consolidated in these financial statements.

The functional currency of the subsidiary, Tunisia Services SARL, is the Tunisian Dinar. Upon consolidation, the functional currency is translated into GBP, with any material differences arising recognised directly in equity. There were no material differences arising during the current period or previous year.

The Group and the Parent Company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006. All amounts within the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 21.

1.2 Measurement Convention

The financial statements have been prepared on a going concern basis, under the historical cost accounting rules with the exception of investment property and non-interest bearing loans which have been stated at fair value.

1.3 Parent Company Disclosure Exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;

1. Accounting Policies (continued)

- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied consistently to all periods presented in these financial statements.

1.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policy of any entity, it accounts for that entity as a subsidiary.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5 Going Concern

The financial statements have been prepared on a going concern basis. The directors believe the Group and Parent Company will be able to continue to operate and meet its obligations as they fall due for the foreseeable future.

The Group has reported:-

- a profit for the 10 month period of £11.2m (year ended 29 February 2016: £10.9m);
- net current assets of £30.9m (29 February 2016: £26.8m); and
- positive net cashflows from operating activities for the 10 month period of £14.3m (year ended 29 February 2016 £10.6m).

as evidenced on page 18 in the Consolidated Statement of Cashflows.

The majority of the cash flows associated with investing and financing activities are ultimately either discretionary and/or with related parties under the control of Mr A Subaskaran.

The directors have reviewed the Group's business activities, together with the factors likely to affect the Group's future development, performance and position. This includes its current financial position, financial risk management objectives, its exposures to tariff changes, liquidity and cashflow risk as described in the Strategic Report on pages 4 to 7. Based on these considerations the directors have prepared a forecast trading of cash inflows and outflows for the Group and have no reason to believe cash generated for operating activities will be less than that historically generated.

The directors have reviewed these trading and operational cashflow forecasts for the Group for the periods ending 31 December 2019 including in the forecast those factors which the directors consider could materially affect forecast cashflow during the period, both positively and negatively.

This review has included an overlay of probable sensitivity analysis to key assumption changes, including potential market tariff and market share changes, and demonstrates that there are no material variations to the forecast cashflow generated from operations.

1. Accounting Policies (continued)**1.5 Going Concern (continued)**

The directors have also reviewed the asset and liability bases of the Group as at the date of approval of these financial statements and separately considered those which are third party and those which are 'related' to other companies controlled by the same ultimate shareholder.

The Group and its related parties form an operating model that ensures revenue and profits are economically allocated to the group which has earned them. As such the Group has substantial trading transactions with other related party companies and there may be significant amounts due to or from those parties that are repayable on demand. The Group may also be called upon to fund related parties however there is no obligation to do so.

Third party cash related liabilities will be settled from the cash flow forecasts as they fall due in the normal course of business via the MVNO group Treasury function. Related party liabilities will be settled only when sufficient surplus working capital is available.

The directors have further mitigated any potential related party risk by receiving an undertaking from the owners of certain material related party creditor companies that liabilities will not be demanded and repaid by the Group for a period of at least twelve months from the date of signing these financial statements, unless sufficient surplus funds are available, or if doing so could jeopardise, in the opinion of the Company's directors, the Company and Group's ability to meet its debts as they fall due.

The directors have additionally concluded, following a review of related party receivables, that whilst operational cash headroom would be significantly reduced in the event of difficulty collecting these balances, this would not itself jeopardise the going concern conclusion that that directors have reached.

As referred to in note 21, the Company is in dispute with HM Revenue and Customs in relation to treatment of VAT on certain classes of transactions. A provision has been recorded of £32.7m to reflect the Company's current best estimate of the potential exposure as at 31 December 2016. The directors have increased the provision in line with the VAT position taken by the Group since that date. The full amount provided within creditors is currently under appeal with HM Revenue & Customs and the directors remain confident of a successful outcome. Also, in accordance with required practice, the Company has sought postponement from collection of this amount whilst under appeal but at the date of approval of these financial statements has not received confirmation of postponement from HM Revenue and Customs. Despite the uncertain nature of the timing and quantum of a potential liability, the directors also consider that there is a remote likelihood of any amount relating to this provision being due within the next 12 months from approval of these financial statements, due to the matter's complexity and length of appeal process. This remote financial risk has been further mitigated by the availability of financial support from related parties, should it be required. The directors have confirmed the validity of this conclusion by undertaking a review of the cashflows for the related party companies within the MVNO group which show sufficient cashflow headroom for this provision to be met from wider operational cashflow.

On the basis of their assessment of the Group's financial position, the directors consider that the group is well placed to manage its business risks successfully and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services supplied stated net of value added taxes. The Group adopts specific revenue recognition criteria prior to revenue being recognised, as follows:

1. Accounting Policies (continued)**1.6 Revenue (continued)*****Mobile Service Revenue***

This includes national and international airtime, data and roaming services provided to the end user. Airtime is invoiced to prepay customers at the time of top-up and to wholesalers at the time of voucher activation. Mobile service revenues are recognised only when the services are actually consumed by the end user (usage). Revenue invoiced or received in advance of usage is deferred and released when consumed as services by the end users or when usage expires. Usage is determined as the amount of airtime used by the end customer after deducting trade discounts, incentives, bonuses and free credits.

Deferred Income

Deferred Income for future usage of top-up payments is recognised as a liability on the Statement of Financial Position. The deferred income is released to the Statement of Comprehensive Income upon usage by the end users or on expiry of unused balances of end users and then recorded as turnover.

Mobile Termination Revenue (MTR)

Mobile termination revenue is recognised when the calls are terminated to Lycamobile through an interconnect partner.

Revenue for Support Services

Revenue from the supply of mobile equipment support services to related parties is recognised when the service is provided.

Revenue for Bundle Arrangements with Multiple Components of Income

For revenue bundles in which prepaid income is received in advance of usage for potentially one or more multiple revenue deliverables, the revenue is released to income according to the proportionate relative usage of each of the deliverables, each of which has been assigned a value.

Identifying the fair value of each element of the deliverable is earned by assessing the tariffs at which the service or deliverable is normally sold on an individual basis after the deduction of any relevant offers, discounts or promotions.

Interest income

Interest income is recognised using the effective interest rate method.

1.7 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets; at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Motor vehicles	- over 4 years
Computer equipment	- over 4 years
Furniture	- over 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1. Accounting Policies (continued)**1.8 Investment Property**

Investment property is carried at fair value determined annually by external valuer and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

1.9 Investment in subsidiary

Investment in subsidiary company is held at cost less accumulated impairment losses.

1.10 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the reporting date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Foreign Currencies

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss.

1. Accounting Policies (continued)**1.11 Foreign Currencies (continued)**

The assets and liabilities of foreign operations are translated to the Group's presentational currency, GBP, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised where material in other comprehensive income.

1.12 Pension Costs and Other Post Retirement Benefits***Defined Contribution Plans and Other Long Term Employee Benefits***

A defined contribution plan is a post-employment benefits plan under which the Group and Parent Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as expense in the profit and loss account in the periods during which services are rendered by employees. Amounts not paid are shown within accruals in the balance sheet.

1.13 Leasing and Hire Purchase Commitments

Assets held under finance leases and hire purchase contracts, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group and Parent Company, are capitalised in the Statement of Financial Position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the Statement of Financial Position. The interest elements of the rental obligations are charged to profit or loss over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

1.14 Rental Income

Rentals receivable under operating leases are charged to profit or loss on a straight line basis over the lease term.

1.15 Classification of Issued Financial Instruments

In accordance with FRS 102 section 22, financial instruments issued are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1. Accounting Policies (continued)**1.16 Basic Financial Instruments**

The Group and Parent Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Trade and Other Debtors/Creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade and other debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-Bearing Borrowings Classified as Basic Financial Instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. All borrowing revenue and costs are recognised in profit or loss. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest. Differences on initial recognition of financial assets or liabilities are accounted for as distributions or capital contributions within equity.

Investments in Preference and Ordinary Shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit or loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.17 Impairment Excluding Investment Properties and Deferred Tax Assets***Financial Assets (including Trade and Other Debtors)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group or Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1. Accounting Policies (continued)**1.17 Impairment Excluding Investment Properties and Deferred Tax Assets (continued)*****Non-Financial Assets***

The carrying amounts of the entity's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.18 Operating Profit

Operating profit is stated in relation to the Group's core trading activities. This measure excludes valuation movements relating to investment properties held which are shown separately on the face of the Consolidated Statement of Comprehensive Income within profit or loss.

2. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Group. An analysis of turnover by geographical market is given below:

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
United Kingdom	141,601	175,765
Rest of Europe	25,393	18,288
USA	4	595
Asia	-	5
Africa	794	136
Australia	-	27
	<hr/>	<hr/>
	167,792	194,816
	<hr/>	<hr/>

3. Operating Profit

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
The operating profit is stated after charging/(crediting):		
Depreciation and amortisation	5,889	6,780
Auditor's remuneration		
- Audit of the Group and Parent Company financial statements	400	900
- Tax advisory	-	633
- Tax compliance	-	90
Foreign exchange differences	4,083	2,751
Operating lease rentals – property and equipment	1,642	2,609
Other operating income – rent received and other fees	(765)	(371)
	<hr/>	<hr/>

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Staff Costs		
Wages and salaries	7,104	7,082
Social security costs	807	896
Other pension costs	45	31
	<hr/>	<hr/>
	7,956	8,009
	<hr/>	<hr/>

The average monthly number of employees was as follows:

	Period ended 31 December 2016 No.	Year ended 29 February 2016 No.
Administration	3	3
Development, marketing, sales and other	69	65
	<hr/>	<hr/>
	72	68
	<hr/>	<hr/>

The Group and Parent Company employs 72 employees, but has outsourced all of its administrative and support services to other related parties. These transactions are disclosed in Note 19.

Tunisia Services SARL has no employees.

4. Directors' Emoluments

The directors were paid the following amounts in relation to the qualifying services provided to Lycamobile UK Limited:

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Directors remuneration – A Subaskaran	333	400
Directors remuneration – A S Premananthan	67	128
	<u> </u>	<u> </u>

Remuneration for the key management personnel for services provided to Lycamobile UK Limited was as follows:

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Cost of services provided	683	776
	<u> </u>	<u> </u>

Total remuneration paid to the highest paid director of Lycamobile UK Limited was £333,000 (year ended 29 February 2016: £400,000). No amount was paid in terms of long term incentive schemes or any pension contributions were made on behalf of the director. All directors' emoluments are aggregate remuneration in respect of qualifying services.

5. Interest Payable and Receivable**Interest Payable and Similar Charges**

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Hire purchase	330	409
Interest charge on loans discounted	253	48
Loan interest payable	159	237
	<u> </u>	<u> </u>
	742	694
	<u> </u>	<u> </u>

Interest Receivable and Similar Income

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Interest income on loans discounted	432	-
	<u> </u>	<u> </u>
	432	-
	<u> </u>	<u> </u>

6. Taxation

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Analysis of charge in period		
UK corporation tax	3,639	4,684
Adjustments in respect of prior periods	-	(7)
Other taxes – diverted profits tax	1,094	-
Deferred tax		
Origination/reversal of timing difference	(77)	(388)
Effect of tax rate on opening balance	-	70
	<hr/>	<hr/>
Tax on profit	4,656	4,359
	<hr/>	<hr/>

Factors Affecting the Current Tax Charge

The current tax charge is higher than the standard rate of corporation tax in the UK.

The differences are explained below.

Current Tax Reconciliation

Profit on ordinary activities before tax	11,096	10,972
	<hr/>	<hr/>
Current tax at 20% (year ended 29 February 2016: 20%)	2,219	2,194
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,242	2,208
Non-taxable income	(40)	(12)
Recognition of previously unrecognised tax losses	-	(94)
Effect of tax rate change on deferred tax balance	-	70
Adjustment in respect of prior period	-	(7)
Origination/reversal of timing differences	(77)	-
Tax losses on which no deferred tax asset has been recognised	218	-
Other taxes – diverted profits tax	1,094	-
	<hr/>	<hr/>
Total tax charge (see above)	4,656	4,359
	<hr/>	<hr/>

Factors that may affect Future Current and Total Tax Charges

Reductions in the UK corporation tax rate from 21% (effective from 1 April 2014) to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly and reduce the deferred tax asset.

The deferred tax asset at 31 December 2016 has been calculated at 19%.

6. Taxation (continued)

Deferred Tax

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Short term timing difference	5	138
Investment timing difference	(105)	(66)
Fixed asset timing differences	1,201	952
	<hr/>	<hr/>
Recognised deferred tax asset	1,101	1,024
	<hr/>	<hr/>
Movements in deferred tax assets was as follows:		
As at 1 March	1,024	706
Original and reversal of timing differences	116	454
Deferred tax on fair value of investment property	(39)	(66)
Effect of tax rate change	-	(70)
	<hr/>	<hr/>
As at 31 December 2016 / 29 February 2016	1,101	1,024
	<hr/>	<hr/>

7. Tangible Fixed Assets

Consolidated

	Furniture £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 March 2016	2,638	1,753	34,052	38,443
Additions	-	87	3,330	3,417
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2016	2,638	1,841	37,382	41,861
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 March 2016	706	1,387	21,357	23,450
Charge for the period	551	182	5,130	5,863
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2016	1,257	1,569	26,487	29,313
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 December 2016	1,382	271	10,895	12,548
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 February 2016	1,932	366	12,695	14,993
	<hr/>	<hr/>	<hr/>	<hr/>

7. Tangible Fixed Assets (continued)

Consolidated (continued)

Motor vehicles stated in the above tangible fixed assets include cars purchased on hire purchase agreements. As at 31 December 2016, the motor vehicles purchased on hire purchase arrangements were held at a cost of £1,637,719 (29 February 2016: £1,637,719), accumulated depreciation of £1,477,137 (29 February 2016: £1,319,540) and net book value of £160,582 (29 February 2016: £318,179).

The depreciation charged in the period to 31 December 2016 on leased motor vehicle assets was £157,598 (year ended 29 February 2016: £189,117).

Computer equipment stated in the above tangible fixed assets includes equipment purchased on finance lease agreements. As at 31 December 2016, equipment purchased on finance lease arrangements were held at a cost of £6,665,338 (29 February 2016: £5,465,338), accumulated depreciation of £3,609,048 (29 February 2016: £2,239,477) and net book value of £3,056,290 (29 February 2016: £3,225,860). The depreciation charged in the period to 31 December 2016 on finance leased equipment was £1,369,571 (year ended 29 February 2016: £1,107,256).

Company

	Furniture £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 March 2016	2,638	1,753	33,732	38,123
Additions	-	87	3,330	3,417
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2016	2,638	1,840	37,062	41,540
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 March 2016	706	1,387	21,293	23,386
Charge for the period	550	182	5,076	5,808
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2016	1,256	1,569	26,369	29,194
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 December 2016	1,382	271	10,692	12,346
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 February 2016	1,932	366	12,439	14,737
	<hr/>	<hr/>	<hr/>	<hr/>

Motor vehicles stated in the above tangible fixed assets include cars purchased on hire purchase agreements. As at 31 December 2016, the motor vehicles purchased on hire purchase arrangements were held at a cost of £1,637,719 (29 February 2016: £1,637,719), accumulated depreciation of £1,477,137 (29 February 2016: £1,319,540) and net book value of £160,582 (29 February 2016: £318,179). The depreciation charged in the period to 31 December 2016 on leased motor vehicle assets was £157,598 (year ended 29 February 2016: £189,117).

Computer equipment stated in the above tangible fixed assets includes equipment purchased on finance lease agreements. As at 31 December 2016, equipment purchased on finance lease arrangements were held at a cost of £6,665,338 (29 February 2016: £5,465,338), accumulated depreciation of £3,609,048 (29 February 2016: £2,239,477) and net book value of £3,056,290 (29 February 2016: £3,225,860). The depreciation charged in the 10 month period to 31 December 2016 on finance leased equipment was £1,369,571 (year ended 29 February 2016: £1,107,256).

8. Intangible Assets - Group

	£'000
Cost	
At 1 March 2016	300
Additions	—
	—
At 31 December 2016	300
	—
Amortisation	
At 1 March 2016	25
Charge for the period	26
	—
At 31 December 2016	51
	—
Net Book Value	
At 31 December 2016	249
	—
At 29 February 2016	275
	—

In the prior year ended 29 February 2016 the Group paid £300,000 to a third party, Tunisian Telecom, for a license to operate in the Tunisian telecoms market. Amortisation is charged on a straight line basis over the license period.

9. Investments - Company

	Shares in Group Undertakings £'000
Cost	
At 1 March 2016 and 31 December 2016	52
	—
Impairment	
At 1 March 2016 and 31 December 2016	—
	—
Net Book Value	
At 31 December 2016	52
	—
At 29 February 2016	52
	—

The Group and Parent Company have an investment in the following subsidiary undertaking:

Subsidiary Undertakings	Country of Incorporation	Capital and Reserves £'000	Net Loss after Tax £'000	% of Shares Held	Class of Shares
Tunisia Services SARL	Tunisia	(2,270)	(1,151)	49.99	Ordinary

The registered office of Tunisia Services SARL is Rue Du Lac Windermere Residence Byzance bloc A Apartment m2, 1053 les Berges du Lac- Tunisia.

9. Investments – Company (continued)

The principal activity of Tunisia Services SARL is the provision of telecommunication services.

10. Investment Property

	Group Investment Property £'000	Company Investment Property £'000
Cost		
At 1 March 2016 and 31 December 2016	2,746	2,746
Revaluation		
At 1 March 2016	355	355
Fair value adjustment	199	199
At 31 December 2016	554	554
Net Book Value		
At 31 December 2016	3,300	3,300
At 29 February 2016	3,101	3,101

Investment property fair value is based on a valuation by an external, independent valuer, Cushman & Wakefield, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations by the external independent valuer, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The independent valuer applied a yield of 7.208% to value the investment property.

This resulted in the property having a fair market value at 31 December 2016 of £3,300,000 (29 February 2016: £3,101,000).

The Group and Parent Company have recorded an increase in fair value in profit or loss during the period of £199,000 (year ended 29 February 2016: £800,000).

11. Debtors

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Year ended 29 February 2016 £'000
Amounts falling due within one year:				
Trade debtors (net of provisions)	3,748	4,985	3,510	4,573
Employee receivables	94	97	94	97
Deferred tax (see note 6)	1,101	1,024	1,101	1,024
Accrued income	568	661	568	661
Supplier advances and deposits	751	739	212	208
Amounts due from related parties (see note 19)	142,648	141,434	146,465	143,430
Prepayments	3,016	3,552	3,016	3,409
Other debtors	427	684	427	684
Loans to directors and parties associated to directors	400	-	400	-
	152,753	153,176	155,793	154,086
Amounts falling due after more than one year:				
Other debtors	5,875	3,616	5,875	3,616
Loans to directors and parties associated to directors	6,704	1,185	6,704	1,185
	165,332	157,977	168,372	158,887

The balances in other debtors due after more than one year represent deposits on telecommunications services which are not refundable until the contract term expires, which in this case is greater than one year.

Loans to Directors and Parties Associated to Directors

Loans to parties listed below represent transactions that had initially been provided at a rate that is less than market value and have been discounted back at a commercial rate over the expected term of the loan. Transactions that fall under this category are as follows:

Party	Loan issue date	Loan amount £'000	Loan Term	Interest rate as per agreement	Commercial interest rate applied	Fair value of loan as at 31 December 2016 £'000	Fair value of loan as at 29 February 2016 £'000
A. Subaskaran	22/04/13	894	5 years	0%	8%	809	758
Lereka Investments Limited	28/04/15	800	25 years	0%	15%	31	27
Asian Superstores Limited	18/12/15	400	2 years	7.9%*	N/A	427	400
P. Subaskaran (see note 19)	01/03/16	8,325	5 years	0%	8%	6,044	N/A

* 3% above Barclays Bank plc base rate

11. Debtors (continued)

No repayments were made against any loan during the period. All loans are repayable at the expiry of the loan term.

The difference between the fair value of the loan to P Subaskaran on issue and the original loan value is £2,659,000 and this has been recorded as a distribution. Subsequent to this, a discount of £377,000 has been unwound during the period.

12. Creditors: amounts falling due within one year

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Year ended 29 February 2016 £'000
Other loans (see note 14)	3,736	3,913	3,736	3,913
Hire purchase contract and finance leases (see note 15)	1,652	1,629	1,652	1,629
Advances from customers	12,693	10,610	12,447	10,610
Other taxes	1,094	-	1,094	-
Corporation tax	10,405	6,977	10,405	6,977
VAT payable	26,099	24,438	27,315	24,438
Trade creditors	19,834	19,442	19,614	19,003
Social security and other taxes	1,014	721	1,001	721
Accrued expenses	16,800	15,105	16,800	15,105
Amounts due to related parties (see note 19)	33,320	41,827	32,950	41,468
Accruals and deferred income	9,297	8,355	9,253	8,355
	<u>135,944</u>	<u>133,017</u>	<u>136,267</u>	<u>132,219</u>

13. Creditors: amounts falling due after more than one year

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Period ended 29 February 2016 £'000
Hire purchase and finance leases (see note 15)	1,377	1,469	1,377	1,469
Other loans (see note 14)	1,252	3,388	1,252	3,388
Amounts due to related parties (see note 19)	30,687	30,435	30,687	30,435
	<u>33,316</u>	<u>35,292</u>	<u>33,316</u>	<u>35,292</u>

Amounts falling due after one year relate to amounts owed to Lycatel Distribution UK Limited (related party) as disclosed in Note 19.

Long term loans to related parties were initially provided at a rate that is less than market value and have been discounted back at a commercial rate over the term of the loan. The difference between the fair value of the loan and the original loan value at the transition date has been recorded as a capital contribution within equity (see note 19 for details).

14. Other Loans

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Year ended 29 February 2016 £'000
Amounts falling due within one year or on demand:				
Loans	3,736	3,913	3,736	3,913
	<u>3,736</u>	<u>3,913</u>	<u>3,736</u>	<u>3,913</u>
Amounts falling due after more than one year:				
Loans	1,252	3,388	1,252	3,388
	<u>1,252</u>	<u>3,388</u>	<u>1,252</u>	<u>3,388</u>

Other loans include a bridging loan of £1,463,000 (29 February 2016: £1,463,000) that are secured by a charge over leasehold property and repayable within one year with interest at a rate of 1.15% per month.

15. Obligations under Hire Purchase Contracts and Finance Leases

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Year ended 29 February 2016 £'000
Amount Due under Finance Leases and Hire Purchase Contracts:				
Amount payable:				
Within one year	1,756	1,748	1,756	1,748
Between two and five years	1,425	1,527	1,425	1,527
	<u>3,181</u>	<u>3,275</u>	<u>3,181</u>	<u>3,275</u>
Less finance charges allocated to the future periods	(152)	(177)	(152)	(177)
	<u>3,029</u>	<u>3,098</u>	<u>3,029</u>	<u>3,098</u>

15. Obligations under Hire Purchase Contracts and Finance Leases (continued)

Present Value of Minimum Lease Payments

	Group Period ended 31 December 2016 £'000	Group Year ended 29 February 2016 £'000	Company Period ended 31 December 2016 £'000	Company Year ended 29 February 2016 £'000
Expiring within one year	1,652	1,629	1,652	1,629
Expiring between two and five years	1,377	1,469	1,377	1,469
	<u>3,029</u>	<u>3,098</u>	<u>3,029</u>	<u>3,098</u>

The future minimum lease payments under non-cancellable operating leases are as follows:

Expiring within one year	1,708	1,667	1,708	1,667
Between two and five years	6,392	6,385	6,392	6,385
Between six and ten years	2,293	3,603	2,293	3,603
	<u>10,393</u>	<u>11,655</u>	<u>10,393</u>	<u>11,655</u>

The hire purchase and finance lease liabilities are secured against the corresponding assets.

During the period £1,642,478 (year ended 29 February 2016: £2,608,522) was recognised as an expense in profit or loss in respect of operating lease rentals.

16. Pension commitments

The Company makes contributions to defined contribution pension schemes. The assets of the schemes are held separately from those of the Group and Parent Company in independently administered funds. The pension cost charge represents contributions payable by the Group and Parent Company to the funds and amounted to £45,000 (year ended 29 February 2016: £31,000). Contributions amounting to £16,000 (29 February 2016: £29,000) were payable at the reporting date.

17. Called-Up Share Capital

	Period ended 31 December 2016 £	Year ended 29 February 2016 £
Allotted, Called-Up and Fully Paid		
200 Ordinary shares of £1	200	200
	<u>200</u>	<u>200</u>

18. Ultimate Parent Company and Controlling Party

Mr A Subaskaran owns 98.5% of the Company's issued share capital.

19. Related Party Disclosures

The Company's individual shareholders have similar interests in a range of related companies. As these companies are under common control, transactions between Lycamobile UK Ltd and these companies are related party transactions. These are set out below:

Lycatel Ireland Limited, Lycatel Services Limited, Switchware Limited, Lycatel Property Services Limited, Lycatel Ireland Distribution Limited, Lycatel Property Management Services Limited, Lycatel GMBH, Lyca Media II Limited, Lycatel Canada Inc and Lycatelcom Lda are wholly owned subsidiaries of WWW Holding Company Limited in which Mr A Subaskaran owns 97.8% of the issued share capital.

Mr A Subaskaran owns 98.5% of the issued share capital of Lycamobile Limited which owns 100% of Lycamobile Sweden Limited (UK), 98.5% of the issued share capital of Lycamobile SRL, 98.5% of the issued share capital of Lycamobile AG, 98.5% of the issued share capital of Lycatel Distribution UK Limited and 98% of the share capital of Thames Quay Properties Holdings Limited, which in turn owns 100% of the share capital of Thames Quay Properties II Ltd.

Also, Mr A Subaskaran owns 98% of the issued share capital of Lycamoney Limited, Lycamobile Switzerland Limited, Lycamobile Belgium Limited, Lycamobile Norway Limited, Lycamobile Denmark Limited, Lycamobile SARL, Lycamobile Germany GmbH, Lycamobile Ireland Limited, Lycamobile SP Zoo, Lycamobile Netherlands Limited, Lycamobile USA Inc, Lycamobile Portugal Lda, Lycamobile Pty Limited, Lycamobile Distribution Austria Ltd, Lycamobile Austria Limited, Nexus Cab Company Limited, Docklands Data Centre Ltd, Lycamobile Ireland Ltd, Lycamobile Hongkong Ltd, Lycamobile Sweden Limited, Lycamobile Denmark Aps, Lycamobile Europe Limited, Lyca Health Limited and Lyca Home Limited. Mr A Subaskaran also owns 97.5% of the issued share capital of Lycamobile Distribution Limited.

Lycamobile Sweden AB is wholly owned subsidiary of Lycamobile Sweden (UK) Limited.

Mr A Subaskaran also has an interest in Asia Media Global Ltd, Universal Marketing Services SUARL and Gnanam Foundation (of which Mr A Subaskaran is on the board of trustees). During the year, the Company made a donation of £455,000 (year ended 29 February 2016- £2,029,799) to Gnanam Foundation.

Mr A Subaskaran also owns 61% of the issued share capital of Plintron Technologies Pvt Limited (a company registered in India).

Mrs P Subaskaran owns 98.5% of the issued share capital of Pettigo Comércio Internacional, Lda (a company registered in Portugal- formerly known as Hastings Trading E Serviços Lda), which owns 63.05% of the issued share capital of Lycatel BPO Pvt Ltd (a company registered in India), 62% of the issued share capital of Plintron Global Technology Solutions Pvt Ltd (a company registered in India), 99.99% of the issued share capital of Lycatel Business Outsourcing Solutions Pvt Ltd (a company registered in India), 100% of the issued share capital of Onestopsim Lda, 100% of the issued share capital of LBOS Morocco Sarl, 100% of the issued share capital of Lycamobile SL, 63.05% of the issued share capital of Lyca Digital Pvt Ltd (a company registered in India) and 100% of the issued share capital of U Can Fly Limited.

Mr M Sundaram (Director and minority shareholder for Lycatel BPO Pvt Ltd and Plintron Technologies Pvt Limited) and Ms S Radhakrishnan equally owns Plintron Global Technologies Pvt Limited and Mr M Sundaram also owns 51% of Lyca Telecom Pvt Ltd (a company registered in India). Gnanam Properties Limited is owned by Mr and Mrs Subaskaran. Mr M Sundaram and Ms S Radhakrishnan also owns Plintron Holdings Pte Limited (a company registered in Singapore), which in turn owns Plintron Europe Limited.

Two Directors of Switchware Limited and Lycatel Property Services Limited jointly own Anglo Indian Beverages Limited.

19. Related Party Disclosures (continued)

The Director of Lycatel Property Services Limited owns Excellent Entertainment Limited

During the period the Group purchased airtime from Lycatelcom Lda for its termination of international minutes. In addition, management fees were received for its administrative support and IT support service fees were charged for its office networking by Lycatelcom Lda. Outsourced support service fees were charged by Lycatel BPO Pvt Ltd for its back office function. Network operational support service fees were charged by Plintron Global Technology Solutions Pvt Ltd for managing its telecom switches and network management. Switching maintenance support service fees were charged by Plintron Technologies Pvt Ltd, advertisement fees were charged by Excellent Entertainment Limited, marketing support service fees were charged by Lycatel Distribution UK Limited for its outdoor branding of products, marketing fees were charged by Lycamedia II Ltd, space rental was charged by Docklands Data Centre Ltd for its telecom equipment location, travel management fees were charged by U Can Fly Ltd for its business related travel by employees, support fees were charged by Lycatel Services Limited, rent was charged by Gnanam Properties Limited and annual rent was charged by Thames Quay Properties II Ltd for its office space.

During the period the Group made telecom equipment and network provider support services to Lycatelcom Lda, LBOS Morocco Sarl and termination of airtime revenue was generated from Lycamobile Pty Limited, Lycamobile Belgium Ltd, Lycamobile Norway Ltd, Lycamobile Norway NUF, Lycamobile Switzerland Ltd, Lycamobile SRL, Lycamobile SL, Lycamobile SP Zoo, Lycamobile Ireland Limited, Lycamobile USA Inc, Lycamobile Sarl, Lycamobile SRL (Romania), Lycamobile Europe Limited, Lycatel Ireland Limited, Lycamobile Limited, Lycamobile Sweden Limited and Lycamobile Hongkong Ltd.

During the year, the Group made a donation to Gnanam Foundation and sale of sim cards to Onestopsim LDA.

The Company granted loans to Mr. A Subaskaran and to parties associated to Mr. A Subaskaran. The terms of the loans and the balances are disclosed in note 11.

During the period the Company outsourced all of the administrative and support services to Lycatelcom Lda, a company with common directors and shareholders.

During the year the Group exchanged funds with various entities, which are summarised below.

Lycamobile UK Limited ("LM UK" or "the Company") is part of the group controlled by Mr A Subaskaran. Mr A Subaskaran owns 98.5% of LM UKs's share capital and controls numerous other entities with which LM UK trades, buys services or exchanges funds ("the Group").

As a part of its year-end procedures, the Company performed an assessment of the recoverability of the amounts due from its Group companies. An intercompany and related party receivable is assessed at the reporting date to determine whether there is objective evidence that it is impaired. Intercompany and related party receivable assets are impaired if there is objective evidence indicates that a loss event has occurred after the initial recognition of the assets. As a result of the assessment of recoverability of intercompany balances, £347,000 of impairment loss was recognised against intercompany receivables, details of which are shown in the following table.

19. Related Party Disclosures (continued)

A summary of the transactions with the related parties during the current and prior period is below:

	Year	Category	Amounts due from/ (owed to) related parties b/f £'000	Purchases from related parties in the period £'000	Balances Impaired £'000	Sales to related parties in the period £'000	Cash loaned/ (borrowed) in the period £'000	Foreign Currency Revaluation £'000	FRS102 Adjustments £'000	Amounts due from/ (owed to) related parties c/f £'000
Entities with control, joint control or significant influence over the entity	Dec-16	A	69,241	(86,095)	(340)	25,839	74,728	(3,981)	(253)	79,138
	Feb-16	A	52,818	(101,945)	(5,689)	20,590	106,087	(2,793)	174	69,241
Entities over which the entity has control, joint control or significant influence	Dec-16	B	-	-	-	-	-	-	-	-
	Feb-16	B	50	-	-	-	(50)	-	-	-
Key management personnel of the entity or its parent	Dec-16	C	758	-	-	-	8,325	-	(2,231)	6,852
	Feb-16	C	702	-	-	-	-	-	56	758
Other related parties	Dec-16	D	360	(1,734)	(7)	-	1,307	5	3	(65)
	Feb-16	D	55	(434)	(273)	-	1,769	16	(773)	360
Total	Dec-16		70,359	(87,829)	(347)	25,839	84,359	(3,976)	(2,480)	85,925
Total	Feb-16		53,625	(102,379)	(5,963)	20,590	107,806	(2,778)	(543)	70,359

The transactions entered into and balances outstanding on an entity by entity basis are summarised below:

Company	Year	Category	Amounts due from/ (owed to) related parties b/f £'000	Purchase from related parties in the period £'000	Balances Impaired £'000	Sales to related parties in the period £'000	Cash loaned/ (borrowed) in the period £'000	Foreign Currency Revaluation £'000	Fair value Adjustment £'000	Amounts due from/ (owed to) related parties c/f £'000
A Subaskaran	Dec-16	C	758	-	-	-	8,325	-	(2,231)	6,852
A Subaskaran	Feb-16	C	702	-	-	-	-	-	56	758
Asia Media Global Ltd	Dec-16	D	9	-	-	-	-	-	-	9
Asia Media Global Ltd	Feb-16	D	9	-	-	-	-	-	-	9
Asian Superstore Ltd	Dec-16	D	400	-	-	-	-	-	-	400
Asian Superstore Ltd	Feb-16	D	-	-	-	-	400	-	-	400
Docklands Data Centre Ltd.	Dec-16	A	6,836	(192)	-	-	(263)	20	-	6,401
Docklands Data Centre Ltd.	Feb-16	A	5,406	(213)	-	-	1,624	19	-	6,836
Excellent Entertainment Ltd.	Dec-16	D	-	(44)	-	-	6	1	-	(38)
Excellent Entertainment Ltd.	Feb-16	D	-	-	-	-	-	-	-	-
Gnanam Foundation Ltd	Dec-16	A	-	(985)	-	-	985	-	-	-
Gnanam Foundation Ltd	Feb-16	A	1,242	(2,030)	-	-	788	-	-	-
Gnanam Properties Ltd	Dec-16	A	-	-	(5)	-	5	-	-	-
Gnanam Properties Ltd	Feb-16	A	97	-	(97)	-	-	-	-	-
Hastings Trading E Serviços Lda	Dec-16	D	-	-	-	-	(100)	1	-	(99)
Hastings Trading E Serviços Lda	Feb-16	D	31	-	(32)	-	-	1	-	-

19. Related Party Disclosures (continued)

Company	Year	Category	Amounts due from/ (owed to) related parties b/f £'000	Purchase from related parties in the period £'000	Balances Impaired £'000	Sales to related parties in the period £'000	Cash loaned/ (borrowed) in the period £'000	Foreign Currency Revaluation £'000	Fair value Adjustment £'000	Amounts due from/ (owed to) related parties c/f £'000
Lareka Investments Ltd	Dec-16	D	27	-	-	-	-	-	3	31
Lareka Investments Ltd	Feb-16	D	-	-	-	-	800	-	(773)	27
Lbos Morocco Sarl Au	Dec-16	A	-	-	(24)	7	-	16	-	-
Lbos Morocco Sarl Au	Feb-16	A	74	-	(169)	80	-	15	-	-
Lyca Digital Private Limited	Dec-16	A	-	-	(42)	-	42	-	-	-
Lyca Digital Private Limited	Feb-16	A	-	-	(30)	-	30	-	-	-
Lyca Health Limited	Dec-16	A	-	-	-	-	-	-	-	-
Lyca Health Limited	Feb-16	A	-	-	(150)	-	150	-	-	-
Lyca Home Ltd.	Dec-16	A	-	-	-	-	-	-	-	-
Lyca Home Ltd.	Feb-16	A	-	-	-	-	-	-	-	-
Lyca Media II Ltd.	Dec-16	A	561	(127)	(237)	-	(197)	-	-	-
Lyca Media II Ltd.	Feb-16	A	2,427	(189)	(1,700)	-	24	-	-	561
Lyca Telecom Pvt Ltd	Dec-16	D	-	-	-	-	-	-	-	-
Lyca Telecom Pvt Ltd	Feb-16	D	-	-	-	-	-	-	-	-
Lycamobile AG	Dec-16	A	(94)	-	-	-	-	-	-	(94)
Lycamobile AG	Feb-16	A	(89)	-	-	-	(5)	-	-	(94)
Lycamobile Austria Ltd.	Dec-16	A	21	-	-	-	-	-	-	21
Lycamobile Austria Ltd.	Feb-16	A	-	-	-	-	21	-	-	21
Lycamobile Belgium Ltd	Dec-16	A	2,969	-	-	208	(3,206)	6	-	(23)
Lycamobile Belgium Ltd	Feb-16	A	2,311	-	-	630	22	5	-	2,969
Lycamobile Denmark Aps	Dec-16	A	-	-	-	-	-	-	-	-
Lycamobile Denmark Aps	Feb-16	A	342	-	(369)	-	27	-	-	-
Lycamobile Denmark Ltd	Dec-16	A	1,233	-	-	-	-	9	-	1,242
Lycamobile Denmark Ltd	Feb-16	A	1,218	-	-	-	9	7	-	1,233
Lycamobile Distribution Austria Ltd	Dec-16	A	-	-	-	-	-	-	-	-
Lycamobile Distribution Austria Ltd	Feb-16	A	89	-	(89)	-	-	-	-	-
Lycamobile Distribution Ltd.	Dec-16	A	133	-	-	-	-	-	-	132
Lycamobile Distribution Ltd.	Feb-16	A	118	-	-	-	15	-	-	133
Lycamobile Europe Ltd	Dec-16	A	1,127	-	-	456	(1,585)	11	-	9
Lycamobile Europe Ltd	Feb-16	A	809	-	-	146	161	10	-	1,127
Lycamobile Germany GmbH	Dec-16	A	2,850	-	-	-	(3,111)	7	-	(254)
Lycamobile Germany GmbH	Feb-16	A	2,652	-	-	-	192	6	-	2,850
Lycamobile Hong Kong Ltd.	Dec-16	A	5	-	-	-	-	-	-	5
Lycamobile Hong Kong Ltd.	Feb-16	A	-	-	-	5	-	-	-	5
Lycamobile Ireland Ltd	Dec-16	A	923	-	-	1	-	-	-	924
Lycamobile Ireland Ltd	Feb-16	A	(299)	-	-	257	-	965	-	923
Lycamobile Ltd.	Dec-16	A	4,214	-	-	(275)	(4,077)	96	-	(42)
Lycamobile Ltd.	Feb-16	A	4,598	-	-	-	496	(880)	-	4,214
Lycamobile Netherlands Ltd.	Dec-16	A	2,301	-	-	-	(2,596)	25	-	(270)
Lycamobile Netherlands Ltd.	Feb-16	A	2,237	-	-	-	43	20	-	2,301
Lycamobile Norway Ltd	Dec-16	A	1,317	-	-	0	(1,448)	8	-	(124)
Lycamobile Norway Ltd	Feb-16	A	1,063	-	-	247	-	6	-	1,317
Lycamobile Norway Nuf	Dec-16	A	47	-	-	5	(47)	-	-	5
Lycamobile Norway Nuf	Feb-16	A	47	-	-	-	-	-	-	47

19. Related Party Disclosures (continued)

Company	Year	Category	Amounts due from/ (owed to) related parties b/f £'000	Purchase from related parties in the period £'000	Balances Impaired £'000	Sales to related parties in the period £'000	Cash loaned/ (borrowed) in the period £'000	Foreign Currency Revaluation £'000	Fair value Adjustment £'000	Amounts due from/ (owed to) related parties c/f £'000
Lycamobile Portugal Lda	Dec-16	A	-	-	(8)	-	-	8	-	-
Lycamobile Portugal Lda	Feb-16	A	661	-	(715)	-	47	7	-	-
Lycamobile Pty Ltd	Dec-16	A	(34)	-	-	-	10	(37)	-	(61)
Lycamobile Pty Ltd	Feb-16	A	(33)	-	-	27	(13)	(15)	-	(34)
Lycamobile Srl	Dec-16	A	4,110	-	-	4,077	(4,421)	-	-	3,766
Lycamobile Srl	Feb-16	A	2,788	-	-	1,319	3	-	-	4,110
Lycamobile SI	Dec-16	A	5,330	-	-	22	(5,565)	42	-	(171)
Lycamobile SI	Feb-16	A	3,913	-	-	1,384	(4)	36	-	5,330
Lycamobile Sp Zoo	Dec-16	A	-	-	(2)	11	-	2	-	11
Lycamobile Sp Zoo	Feb-16	A	1,246	-	(1,754)	487	19	2	-	-
Lycamobile Srl	Dec-16	A	2,255	-	-	1,548	6	14	-	3,823
Lycamobile Srl	Feb-16	A	1,850	-	(230)	623	-	12	-	2,255
Lycamobile SRL (Romania)	Dec-16	A	230	-	-	3	-	-	-	233
Lycamobile SRL (Romania)	Feb-16	A	-	-	-	230	-	-	-	230
Lycamobile Sweden AB	Dec-16	A	309	-	-	-	(331)	(3)	-	(25)
Lycamobile Sweden AB	Feb-16	A	301	-	-	-	-	8	-	309
Lycamobile Sweden Limited	Dec-16	A	1,690	-	-	(35)	(1,375)	8	-	288
Lycamobile Sweden Limited	Feb-16	A	1,646	-	-	36	-	8	-	1,690
Lycamobile Sweden Ltd - Ire	Dec-16	A	40	-	-	-	-	-	-	40
Lycamobile Sweden Ltd - Ire	Feb-16	A	42	-	-	-	-	(2)	-	40
Lycamobile Switzerland Ltd	Dec-16	A	1,823	-	-	72	(1,866)	-	-	29
Lycamobile Switzerland Ltd	Feb-16	A	1,502	-	-	321	-	-	-	1,823
Lycamobile USA Inc	Dec-16	A	2,959	-	-	4	(319)	4	-	2,647
Lycamobile USA Inc	Feb-16	A	1,020	-	-	1,938	(2)	3	-	2,959
Lycamoney Ltd	Dec-16	A	-	-	(1)	-	1	-	-	-
Lycamoney Ltd	Feb-16	A	127	-	(131)	-	4	-	-	-
Lycatel Property Management Services Ltd.	Dec-16	A	13	-	-	-	-	-	-	13
Lycatel Property Management Services Ltd.	Feb-16	A	3	-	-	-	10	-	-	13
Lycatel Bpo Pvt Ltd	Dec-16	A	(138)	(640)	-	-	1,269	-	-	491
Lycatel Bpo Pvt Ltd	Feb-16	A	365	(779)	-	-	276	-	-	(138)
Lycatel Business Outsourcing Solution P Ltd	Dec-16	A	1,121	-	-	-	-	-	-	1,121
Lycatel Business Outsourcing Solution P Ltd	Feb-16	A	1,121	-	-	-	-	-	-	1,121
Lycatel Canada Inc.	Dec-16	A	2	-	-	-	-	-	-	2
Lycatel Canada Inc.	Feb-16	A	-	-	-	-	2	-	-	2
Lycatel Distribution UK Ltd.	Dec-16	A	(30,434)	(6,608)	-	1	13,468	31	(253)	(23,795)
Lycatel Distribution UK Ltd.	Feb-16	A	(26,808)	(12,000)	-	13	8,162	25	174	(30,434)
Lycatel GmbH	Dec-16	A	-	-	-	-	-	-	-	-
Lycatel GmbH	Feb-16	A	211	-	(211)	-	-	-	-	-
Lycatel Ireland Distribution Ltd.	Dec-16	A	16	-	-	-	-	-	-	16
Lycatel Ireland Distribution Ltd.	Feb-16	A	16	-	-	-	-	-	-	16
Lycatel Ireland Ltd.	Dec-16	A	77,456	-	-	-	5,814	(1)	-	83,269
Lycatel Ireland Ltd.	Feb-16	A	67,977	-	-	51	9,428	(1)	-	77,456
Lycatel Property Services Ltd.	Dec-16	A	30	-	-	-	-	1	-	31
Lycatel Property Services Ltd.	Feb-16	A	31	-	-	-	-	(1)	-	30

19. Related Party Disclosures (continued)

Company	Year	Category	Amounts due from/ (owed to) related parties b/f £'000	Purchase from related parties in the period £'000	Balances Impaired £'000	Sales to related parties in the period £'000	Cash loaned/ (borrowed) in the period £'000	Foreign Currency Revaluation £'000	Fair value Adjustment £'000	Amounts due from/ (owed to) related parties c/f £'000
Lycatel Services Ltd.	Dec-16	A	(20,089)	(1,507)	-	15	(1,171)	-	-	(22,752)
Lycatel Services Ltd.	Feb-16	A	(17,020)	(1,174)	-	61	(1,957)	1	-	(20,089)
Lycatelcom Lda	Dec-16	A	(14,900)	(64,346)	-	19,694	75,834	(3,714)	-	12,568
Lycatelcom Lda	Feb-16	A	(27,922)	(71,889)	-	12,636	74,646	(2,372)	-	(14,900)
Nexus Cab Company Limited	Dec-16	A	-	-	-	-	-	-	-	-
Nexus Cab Company Limited	Feb-16	A	10	-	(10)	-	-	-	-	-
Onestopsim, Lda.	Dec-16	A	-	-	(22)	23	(1)	-	-	-
Onestopsim, Lda.	Feb-16	A	22	-	(34)	12	-	-	-	-
Plintron Technologies Pvt Ltd.	Dec-16	A	144	(2,599)	-	-	1,325	-	-	(1,131)
Plintron Technologies Pvt Ltd.	Feb-16	A	620	(3,770)	-	-	3,294	-	-	144
Plintron Europe Ltd	Dec-16	D	-	-	(7)	-	-	7	-	-
Plintron Europe Ltd	Feb-16	D	-	-	(86)	-	81	6	-	-
Plintron Global Technologies Pvt Ltd.	Dec-16	A	604	(2,635)	-	-	1,615	-	-	(416)
Plintron Global Technologies Pvt Ltd.	Feb-16	A	(4,686)	(3,647)	-	-	8,937	-	-	604
Switchware Ltd.	Dec-16	A	(3,442)	-	-	-	-	-	-	(3,442)
Switchware Ltd.	Feb-16	A	(2,961)	(504)	-	-	23	-	-	(3,442)
Thames Quay Property II Ltd	Dec-16	A	(160)	(2,781)	-	-	1,923	-	-	(1,018)
Thames Quay Property II Ltd	Feb-16	A	(231)	(2,791)	-	86	2,777	-	-	(160)
U Can Fly	Dec-16	A	(2,894)	(3,674)	-	-	3,581	(7)	-	(2,994)
U Can Fly	Feb-16	A	(1,782)	(2,960)	-	-	1,848	-	-	(2,894)
Universal Marketing Services SUARL	Dec-16	D	(76)	(1,689)	-	-	1,401	(4)	-	(368)
Universal Marketing Services SUARL	Feb-16	D	-	(434)	-	-	348	9	-	(76)
WWW Holding Company Ltd.	Dec-16	A	18,757	-	-	-	429	(525)	-	18,660
WWW Holding Company Ltd.	Feb-16	A	24,446	-	-	-	(5,011)	(678)	-	18,757
Total	Dec-16		70,359	(87,829)	(347)	25,839	84,359	(3,976)	(2,480)	85,925
Total	Feb-16		53,575	(102,379)	(5,963)	20,590	107,856	(2,778)	(543)	70,359

19. Related Party Disclosures (continued)

*** Tunisia Services is a related party by virtue of control and its balance has not been shown due to being eliminated on consolidation for group reporting purposes. Should this report be shown on a standalone basis then the amount payable by Tunisia Services SARL to the Company would be £1,781,803 (29 February 2016: £1,639,105).

The above transactions result in the following balances due to/from related parties.

	Period ended 31 December 2016 £'000	Year ended 29 February 2016 £'000
Debtors		
Amounts falling due within one year	143,048	141,434
	<hr/>	<hr/>
Amounts falling due after more than one year	6,704	1,185
	<hr/>	<hr/>
Creditors		
Amounts falling due within one year	33,320	41,827
	<hr/>	<hr/>
Amounts falling due after more than one year	30,687	30,435
	<hr/>	<hr/>

20. Events after the Reporting Period

Subsequent to the reporting date, the Company received a repayment of the Intercompany Debtor outstanding from Lycatel Ireland Limited, a related party as listed in Note 19 of these financial statements for a total of €89,649,801. At 29 February 2016, this amount had a GBP equivalent of £77,455,635 and at 31 December 2016 had a GBP equivalent of £76,495,041. On the payment date (being 25 January 2017), this amount had been revalued to £77,316,944 due to foreign exchange movement.

In 2017 the Company paid an amount of €90,000,000 to Lycatelcom LDA, a related party of the Company, for prepayment of airtime service fees pursuant to the Prepay Service Agreement under the Carrier Service Agreement between Lycatelcom LDA and the Company.

21. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Critical judgements**(i) *Impairment of debtors (including intercompany receivables)***

The Group and Parent Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors which is net of associated impairment provision.

(ii) *Implied interest attached to some loans*

The Group and Parent Company applies a market rate of interest to loans provided to associates and related parties at rates less than market rate. The Group and Parent Company reviews available rates in the market place for comparable loans, giving consideration to the risk, term and security offered for the loan, and applies this rate to discount the loans based upon the expected repayment.

(iii) *Useful economic life of tangible fixed assets*

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated statement of comprehensive income.

The useful lives and residual values of tangible fixed assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Historically changes in useful lives and residual values have not resulted in material changes to the depreciation charge.

21. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**Key Sources of Estimation Uncertainty****(iv) VAT**

Included within creditors due within one year is an amount of £32.7m relating to certain VAT positions (inclusive of potential penalties and interest) taken by the Group and Parent Company between 1 July 2012 and 31 December 2016. The full VAT amount provided within creditors is currently under appeal and the Directors remain confident of a successful outcome. The Directors have subsequently increased the provision in line with the VAT position taken by the Group.

(v) Uncertain tax positions and ongoing enquires relating to corporate taxes

There are ongoing discussions and enquiries between Lycamobile UK Limited and HMRC regarding related party transactions between the Parent Company and certain related party companies. The nature of the enquiries are largely focussed on fact gathering relating to corporate taxes. Other than the recognition of a tax creditor (following an assessment) of £1,094,000 (29 February 2016: £nil) for Diverted Profits Tax, no other assessments have been raised in respect of those enquiries and no other provisions for tax creditors have been recorded in connection with those enquiries.

22. Financial Instruments**(a) Carrying Amount of Financial Instruments**

The carrying amounts of the financial assets and liabilities include:

Group	Period ended 31 December 2016 £000	Year ended 29 February 2016 £000
Assets measured at fair value through profit or loss	3,300	3,101
Assets measured at amortised cost	161,215	153,401
Liabilities measured at fair value through profit or loss	-	-
Liabilities measured at amortised cost	(130,648)	(136,173)
Company		
Assets measured at fair value through profit or loss	3,300	3,101
Assets measured at amortised cost	164,255	154,454
Liabilities measured at fair value through profit or loss	-	-
Liabilities measured at amortised cost	(129,768)	(135,375)

(b) Financial Instruments Measured at Fair Value

The Group and Parent Company reviews the balance of financial instrument asset and liabilities on a periodic basis to ensure that they are recorded at their current fair values as required under FRS102. This review includes recoverability analysis of outstanding assets and where recoverability is deemed unlikely a provision for the unrecoverable amount will be accrued with a corresponding adjustment to profit or loss.