

Registered number: 04686010

CAPITAL CITY SERVICE LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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CAPITAL CITY SERVICE LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Director | Alexandru Taracanov |
| Registered number | 04686010 |
| Registered office | First floor Building 2 Croxley Business Park Watford Hertfordshire WD18 8 YA |
| Independent auditors | Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 7-10 Chandos Street London W1G 9DQ |

CAPITAL CITY SERVICE LIMITED

CONTENTS

| | Page |
|---|----------------|
| Strategic Report | 3 - 5 |
| Director's Report | 6 - 7 |
| Independent Auditors' Report | 8 - 11 |
| Statement of profit and loss | 3 |
| Statement of Financial Position | 13 |
| Statement of Changes in Equity | 14 - 15 |
| Statement of Cash Flows | 16 |
| Notes to the Financial Statements | 17 - 31 |
| Detailed Profit and Loss Account and Summaries | |

CAPITAL CITY SERVICE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their Annual Report, together with the financial statements and auditor's report of Capital City Service Limited (the "Company") for the year ended 31 March 2019.

Business review

During the year, the Company sales increased by 86% (2019: decrease of 49%) due to an internal issue that was resolved in the prior year resulting in the revenue bouncing back up to normal levels.

The Company operates from 2 offices: these are based in the United Kingdom and Moldova. The office in Moldova has the function of supporting all of the main business activities of Capital City Service Limited. The management and control of the Company continues from its UK office.

The main risks which the Company faces are the recoverability of amounts due from its customers and any technical problems with the telecommunications equipment which could potentially result in the loss of customers. Both these risks are addressed by the Company with specially designed measures.

The directors consider that the results for the year and the state of the Company's affairs at the year end, as shown in the financial statements, to be satisfactory. The key financial highlights are as follows:

| | 2020 \$000 | 2019 \$000 | 2018 \$000 |
|------------------------------|---------------|---------------|---------------|
| Revenue | 93,341 | 50,127 | 98,694 |
| Gross profit margin | 2.02% | 1.39% | 0.93% |
| Profit/(Loss) before tax | 290 | (84) | 222 |
| Net profit/(loss) margin | 0.31% | (0.17%) | 0.22% |
| Turnover growth / (decrease) | 86.21% | (49.21%) | 43% |

Future developments

Since the year end the Company has continued to develop, optimising the administrative expenses.

The directors have assessed the effect of Covid-19 on the business and have concluded that there has been no negative on the business and its activities.

CAPITAL CITY SERVICE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Foreign exchange risk

Trading is mostly undertaken in US Dollars, but where it is appropriate the local currencies are used. Hence, the foreign currency risk exposure arises primarily from trade receivables and trade payables denominated in Euros.

The impact on the Statement of profit or loss from foreign currency movements was a loss of \$16k (2019: loss of \$78k). The main reason for the gain in the year is the high level of cash and trade receivables held in Euros whilst the Euro appreciated against the US Dollar.

The Company's approach to managing other risks applicable to the financial instruments concerned is as follows:

Bank balances

In respect of bank balances, the liquidity risk is managed by preparing and maintaining regular cash flow forecasts to ensure that positive bank balances are maintained.

Trade receivables

Trade receivables are managed in respect of credit and cash flow risk by regular review of customers' credit rating, continual communication with customers and regular monitoring of amounts outstanding and the age of debt.

Trade payables

Trade payables liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Capital management

The Board's policy is to preserve a strong capital base (which consists of share capital and reserves) in order to maintain investor, creditor and market confidence and to safeguard the future development of the business.

Within this policy the Board is mindful of the need to balance objectives with the efficient use of capital.

Price risk

There are no price risks faced by the Company as all call prices are agreed in advance and are reviewed on a regular basis.

CAPITAL CITY SERVICE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Sensitivity analysis

The functional currency of the Company is US Dollars. This is the currency that the Company predominantly invoices its customers and receives invoices from suppliers. Through invoicing and purchasing in the functional currency the Company reduces a large risk that a company operating on a global scale can face in the form of exchange rate risk.

The key areas for exchange rate movement are receivables, payables and cash at bank. The two currencies used other than US Dollar are Euros and GBP. A 5% unfavourable movement on the exchange rate would have the following effect on the Statement of Financial Position:

Receivables

The receivables balance for the companies invoiced in Euros at the year end is \$1,085k this has been exchanged to Dollars using an exchange rate of 1.106. If this was to reduce to 5% with the weakening of the Euro then the exchange rate would be 1.051 if this rate was used then there would be an additional \$54k recorded as an expense in the accounts.

Payables

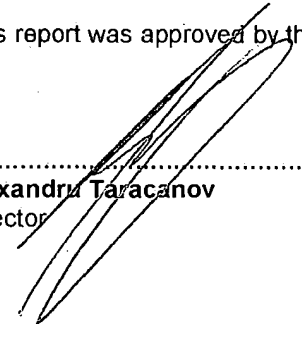
The balances at the year end for companies dealing in Euros is \$1,08k and this was exchanged to Dollars using rate 1.160. If this was to increase to 5% due to strengthening of the Euros then the exchange rate would be 1.218. If this rate was used then there would be an additional \$49k recorded as an expense in the accounts.

Cash at bank

At the year end within cash at bank there were bank accounts holding Euros balances of Euro 69k and these have been translated using the exchange rate referred to above of 1.106, if there was a weakening of the Euro and it moved to 1.012 then there would be an additional \$6k recorded on the loss on foreign exchange.

This report was approved by the board on **4 February 2021** and signed on its behalf.

.....
Alexander Tarakanov
Director



CAPITAL CITY SERVICE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2020

The director presents his report and the financial statements for the year ended 31 March 2020.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements, in accordance with applicable law.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless he either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the Company continues to be that of trading in telecommunications services.

Results

The profit for the year, after taxation, amounted to \$291 thousand (2019 - \$6 thousand).

Director

The director who served during the year was:

Alexandru Taracanov

CAPITAL CITY SERVICE LIMITED

DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Financial instruments

The Company's principle financial instruments comprise:

- Bank balances;
- Trade receivables; and
- Trade payables.

The main purpose of these instruments is to raise and maintain sufficient funds for the Company's operations and to finance the Company's operations.

Due to the nature of the financial instruments used by the Company there is no exposure to price risk.

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

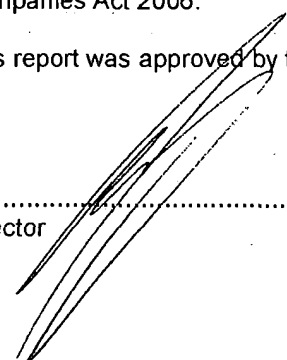
- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 February 2021 and signed on its behalf.

.....
Director



CAPITAL CITY SERVICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL CITY SERVICE LIMITED

Opinion

We have audited the financial statements of Capital City Service Limited for the year ended 31 March 2020 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 18 - 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CAPITAL CITY SERVICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL CITY SERVICE LIMITED (CONTINUED)

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report has been prepared in accordance with applicable legal requirements.

CAPITAL CITY SERVICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL CITY SERVICE LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the 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 or the Director's Report.

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

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

Responsibilities of directors

As explained more fully in the director's responsibilities statement on page 6, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

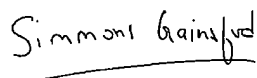
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

CAPITAL CITY SERVICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL CITY SERVICE LIMITED
(CONTINUED)

Use of our report

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 auditors' 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.



Atulya Mehta, FCCA (Senior Statutory Auditor)

for and on behalf of
Simmons Gainsford LLP

Chartered Accountants
Statutory Auditors

7-10 Chandos Street
London

W1G 9DQ

Date: 04/02/2021

CAPITAL CITY SERVICE LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020

| | Note | 2020 \$000 | 2019 \$000 |
|--|------|---------------|---------------|
| Revenue | 6 | 93,341 | 50,127 |
| Cost of sales | | (91,459) | (49,431) |
| Gross profit | | <u>1,882</u> | <u>696</u> |
| Administrative expenses | | (1,500) | (781) |
| Other expenses | | (91) | (14) |
| Profit/(loss) from operations | | <u>291</u> | <u>(99)</u> |
| Finance income | | - | 15 |
| Profit/(loss) before tax | | <u>291</u> | <u>(84)</u> |
| Tax (expense)/credit | 10 | - | 90 |
| Profit for the year | | <u>291</u> | <u>6</u> |
| Profit or loss | | <u>291</u> | <u>6</u> |
| Profit or loss from continuing operations | | | |

There was no other comprehensive income for 2020 (2019: \$nil).

CAPITAL CITY SERVICE LIMITED
REGISTERED NUMBER: 04686010

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

| | Note | 2020 \$000 | 2019 \$000 |
|------------------------------------|------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 63 | 73 |
| | | <u>63</u> | <u>73</u> |
| Current assets | | | |
| Trade and other receivables | 12 | 2,727 | 3,164 |
| Cash and cash equivalents | 16 | 566 | 715 |
| | | <u>3,293</u> | <u>3,879</u> |
| Total assets | | <u>3,356</u> | <u>3,952</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Current liabilities | | | |
| Trade and other liabilities | 13 | 2,281 | 2,367 |
| Loans and borrowings | 14 | - | 1 |
| | | <u>2,281</u> | <u>2,368</u> |
| Total liabilities | | <u>2,281</u> | <u>2,368</u> |
| Net assets | | <u>1,075</u> | <u>1,584</u> |
| Issued capital and reserves | | | |
| Share capital | 15 | 76 | 76 |
| Retained earnings | | 999 | 1,508 |
| TOTAL EQUITY | | <u>1,075</u> | <u>1,584</u> |

The financial statements on pages 5 to 11 were approved and authorised for issue by the board of director on 04/02/2021 and were signed on its behalf by:

.....
Director

CAPITAL CITY SERVICE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

| | Share capital \$000 | Retained earnings \$000 | Total equity \$000 |
|--|---------------------------|-------------------------------|-----------------------|
| At 1 April 2019 (as previously stated) | 76 | 1,508 | 1,584 |
| Profit for the year | - | 291 | 291 |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | 291 | 291 |
| Dividends | - | (800) | (800) |
| | <hr/> | <hr/> | <hr/> |
| Total contributions by and distributions to owners | - | (800) | (800) |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2020 | 76 | 999 | 1,075 |
| | <hr/> | <hr/> | <hr/> |

The notes on pages 17 to 21 form part of these financial statements.

CAPITAL CITY SERVICE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

| | Share capital \$000 | Retained earnings (restated) \$000 | Total equity (restated) \$000 |
|--|---------------------------|---|-------------------------------------|
| At 1 April 2018 (as previously stated) | 76 | 4,419 | 4,495 |
| Prior year adjustment | - | (941) | (941) |
| At 1 April 2018 (as restated) | 76 | 3,478 | 3,554 |
| Profit for the year | - | 6 | 6 |
| Total comprehensive income for the year | - | 6 | 6 |
| Dividends | - | (1,976) | (1,976) |
| Total contributions by and distributions to owners | - | (1,976) | (1,976) |
| At 31 March 2019 | 76 | 1,508 | 1,584 |

The notes on pages 17 to 21 form part of these financial statements.

CAPITAL CITY SERVICE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

| | 2020 \$000 | 2019 \$000 |
|---|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Profit for the year | 291 | 6 |
| Adjustments for | | |
| Depreciation of property, plant and equipment | 10 | 57 |
| Reversal of impairment loss on trade receivables | (75) | (600) |
| Finance income | - | (90) |
| Loss on sale of property, plant and equipment | - | 56 |
| | <u>226</u> | <u>(571)</u> |
| Movements in working capital: | | |
| Decrease in trade and other receivables | 512 | 5,975 |
| Decrease in trade and other payables | (87) | (4,918) |
| | <u>651</u> | <u>486</u> |
| Cash generated from operations | <u>651</u> | <u>486</u> |
| Income taxes paid | - | (91) |
| | <u>651</u> | <u>395</u> |
| Net cash from operating activities | <u>651</u> | <u>395</u> |
| Cash flows from investing activities | | |
| Cash flows from financing activities | | |
| Dividends paid to the holders of the parent | (800) | (1,976) |
| | <u>(800)</u> | <u>(1,976)</u> |
| Net cash used in financing activities | <u>(800)</u> | <u>(1,976)</u> |
| Net cash decrease in cash and cash equivalents | <u>(149)</u> | <u>(1,581)</u> |
| Cash and cash equivalents at the beginning of year | 715 | 2,296 |
| Cash and cash equivalents at the end of the year | <u><u>566</u></u> | <u><u>715</u></u> |

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Reporting entity

Capital City Service Limited (the 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at 54 Clarendon Road, Watford, Hertfordshire, WD17 1DU. The Company's principal activity is trading in telecommunications services.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). They were authorised for issue by the Company's board of directors on .

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 5.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Basis of preparation (continued)

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 April 2019

IFRS 16

The date of initial application of IFRS 16 for the Company is 1 April 2019.

The Company has applied IFRS 16 using the modified retrospective approach, the effect of which is immaterial for the financial statements and therefore no adjustments are necessary.

On transition to IFRS 16, the Company elected to apply the following practical expedient:

- for leases previously classified as operating leases under IAS 17 -
- the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.

3. Accounting policies

3.1 Receivables

Receivables are non-derivative assets with fixed or determinable payments that are not quoted on an active market. After initial measurement, receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Short-term receivables with no stated interest rates are measured at original invoice amounts unless there is a significant impact resulting in application of an implied interest rate.

Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the Statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.2 Impairment of receivables

The Company assesses at the end of each reporting period whether receivables are impaired.

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of profit or loss.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Accounting policies (continued)

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| | |
|---------------------|-----------------------------|
| Freehold property | Over 45 years straight line |
| Plant and machinery | 20% reducing balance |
| Motor vehicles | Straight line over 7 years |

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are renewed annually and any anticipated impairment is provided in the financial statements.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Statement of profit or loss in the period of derecognition.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

3.5 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Accounting policies (continued)

3.6 Revenue

Revenue represents amounts receivable for call termination services net of VAT and trade discounts. Revenue is recognised in the month the call services are made

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

3.7 Taxation

The charge for the current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets by the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at inception of the lease. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Payments under operating leases are charged to profit or loss on a straight line basis.

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

3. Accounting policies (continued)

3.9 Currency translation

Transactions in a currency other than US Dollars (the functional and presentational currency of the Company) are translated into US Dollars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US Dollars are, at the reporting date, retranslated at the spot exchange rate on that day. Exchange differences are recognised in profit or loss for the period.

Non-monetary assets and liabilities that are measured in terms of historic cost which are denominated in a currency other than US Dollars are translated using the exchange rate at the date of the transactions and are not subsequently retranslated.

3.10 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

4. Functional and presentation currency

These financial statements are presented in US Dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Accounting estimates and judgments

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

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

6. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

| | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Sale of telecommunication services | 93,341 | 50,127 |

Timing of revenue recognition:

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Telecommunication services - in the period call services are made | 93,341 | 50,127 |

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the year end is summarised as follows:

Analysis of revenue by country of destination:

| | 2020 | 2019 |
|-------------------|---------------|---------------|
| | \$000 | \$000 |
| UK | 1,115 | 2,614 |
| Rest of Europe | 40,539 | 23,155 |
| Russia | 2,274 | 1,512 |
| Rest of the World | 49,413 | 22,846 |
| | <u>93,341</u> | <u>50,127</u> |

7. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Depreciation of property, plant and equipment | 10 | 47 |
| Auditors' remuneration | 34 | 31 |
| Auditors' remuneration - tax compliance | 1 | 1 |
| (Gain)/Loss on foreign exchange | <u>16</u> | <u>76</u> |

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Finance income and expense

Recognised in profit or loss

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Finance income | | |
| Interest on: | | |
| - Bank interest receivable | - | 15 |
| | <u>-</u> | <u>15</u> |
| Net finance (expense)/income recognised in profit or loss | <u>-</u> | <u>15</u> |

9. Employee benefit expenses

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Employee benefit expenses (including director) comprise: | | |
| Wages and salaries | 1 | 2 |
| | <u>1</u> | <u>2</u> |

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the director of the Company listed on page 1, and the Financial Controller of the Company.

| | 2020 | 2019 |
|--------|--------------|--------------|
| | \$000 | \$000 |
| Salary | <u>1</u> | <u>1</u> |

The monthly average number of persons, including the director, employed by the Company during the year was as follows:

The average monthly number of employees including directors during the year was as follows:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| | No. | No. |
| Administration (Head Office) | <u>2</u> | <u>2</u> |

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Tax expense

10.1 Income tax recognised in profit or loss

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Current tax | | |
| Adjustments in respect of prior years | - | (90) |
| Deferred tax expense | | |
| Total tax expense | | |
| Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures | - | (90) |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Profit for the year | 291 | 6 |
| Income tax credit/expense (including income tax on associate, joint venture and discontinued operation) | - | (90) |
| Profit/(loss) before income taxes | 291 | (84) |
| Tax using the Company's domestic tax rate of 19% (2019: 20%) | 55 | (16) |
| Expenses not deductible or (income not taxable) for tax purposes, other than goodwill, amortisation and impairment | (14) | 6 |
| Capital allowances for the year in excess of depreciation | - | (3) |
| Utilisation of tax losses | (41) | 11 |
| Tax loss carried back | - | (90) |
| Non-taxable income | - | (3) |
| Other differences leading to an increase/(decrease) in the tax charge | - | 5 |
| Total tax expense | - | (90) |

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Property, plant and equipment

| | Freehold property \$000 | Plant and machinery \$000 | Fixtures and fittings \$000 | Total \$000 |
|--|-------------------------------|---------------------------------|-----------------------------------|----------------|
| Cost or valuation | | | | |
| At 1 April 2018 | 180 | 632 | 32 | 844 |
| Disposals | (149) | (413) | (32) | (594) |
| At 31 March 2019 | 31 | 219 | - | 250 |
| At 31 March 2020 | 31 | 219 | - | 250 |
| | | | | |
| | Freehold property \$000 | Plant and machinery \$000 | Fixtures and fittings \$000 | Total \$000 |
| Accumulated depreciation and impairment | | | | |
| At 1 April 2018 | 14 | 477 | 26 | 517 |
| Charge owned for the year | 4 | 47 | 6 | 57 |
| Disposals | (15) | (351) | (32) | (398) |
| At 31 March 2019 | 3 | 173 | - | 176 |
| Charge owned for the year | 1 | 9 | - | 10 |
| At 31 March 2020 | 4 | 182 | - | 186 |
| | | | | |
| Net book value | | | | |
| At 1 April 2018 | 166 | 155 | 6 | 327 |
| At 31 March 2019 | 28 | 46 | - | 74 |
| At 31 March 2020 | 27 | 37 | - | 64 |

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Trade and other receivables

| | 2020 \$000 | 2019 \$000 |
|--|----------------|----------------|
| Trade receivables | 2,514 | 3,270 |
| Bad debt provision | (267) | (341) |
| Total financial assets other than cash and cash equivalents classified as loans and receivables | 2,247 | 2,929 |
| Prepayments and accrued income | 144 | 133 |
| Tax recoverable | 90 | 90 |
| Other receivables | 246 | 12 |
| Total trade and other receivables | 2,727 | 3,164 |
| Total current portion | (2,727) | (3,164) |

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Company had 9 days of revenue outstanding in trade receivables as at 31 March 2020 (2019: 24 days). Included within trade receivables is \$1,085k (2019: \$943k) denominated in other currencies.

The Company's maximum exposure to credit risk equates to the carrying value of cash and cash equivalents and trade and other receivables.

Concentrations of credit risk with respect to customers are limited due to the company's customer base being large and unrelated. Customers are assessed for credit worthiness and credit limits are also imposed on customers and reviewed regularly.

The Company's credit risk is primarily attributable to trade receivables.

The Company has some concentrations of credit risk, with some exposure to large customers, however, the majority of the exposure is spread over a number of customers.

Provision of \$267k (2019: \$341k) has been made in these financial statement for potentially irrecoverable debts. In the current year \$74k was written off (2019: \$1k).

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Trade and other receivables (continued)

Ageing of impaired trade receivables:

The company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for income over the past 14 months before 31 March 2020 and 31 March 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The company has identified the economical factors which would impact on the liquidity of the customers' assets and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e.: derecognised) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 March 2020 and 31 March 2019 was determined as represented in the "Trade receivables days past due" tables below.

Movements in the impairment allowance for trade receivables are as follows:

| | 2020 \$000 | 2019 \$000 |
|---------------------------|---------------|---------------|
| At 1 April | 341 | 941 |
| Movements in the year | (74) | (600) |
| Bad debt provision | 267 | 341 |

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Movements in the impairment allowance for receivables from contracts with customers are as follows:

| 31 March 2020 | | Trade receivables days past due | | | | | |
|-------------------------------|------------------------------|--|---|---|---|------------------------|--|
| | not overdue \$000 | overdue 1-30 days \$000 | overdue 31-60 days \$000 | overdue 61-90 days \$000 | overdue over 90 days \$000 | Total \$000 | |
| Expected credit loss | 0.91% | 1.72% | 7.31% | 13.03% | 35% | - | |
| Gross carrying amount | 786 | 599 | 109 | 46 | 673 | 2213 | |
| Lifetime expected credit loss | 7 | 10 | 8 | 5 | 235 | 267 | |

| 31 March 2019 | | Trade receivables days past due | | | | | |
|-------------------------------|------------------------------|--|---|---|---|------------------------|--|
| | not overdue \$000 | overdue 1-30 days \$000 | overdue 31-60 days \$000 | overdue 61-90 days \$000 | overdue over 90 days \$000 | Total \$000 | |
| Expected credit loss | 0.92% | 1.73% | 7.34% | 12.79% | 25% | - | |
| Gross carrying amount | 845 | 763 | 187 | 130 | 1160 | 3086 | |
| Lifetime expected credit loss | 8 | 13 | 14 | 17 | 290 | 341 | |

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Trade and other receivables (continued)

Ageing of impaired trade receivables:

The company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for income over the past 14 months before 31 March 2020 and 31 March 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The company has identified the economical factors which would impact on the liquidity of the customers' assets and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e.: derecognised) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 March 2020 and 31 March 2019 was determined as represented in the "Trade receivables days past due" tables below.

Movements in the impairment allowance for trade receivables are as follows:

| | 2020 \$000 | 2019 \$000 |
|---------------------------|---------------|---------------|
| At 1 April | 341 | 941 |
| Movements in the year | (74) | (600) |
| Bad debt provision | <u>267</u> | <u>341</u> |

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Movements in the impairment allowance for receivables from contracts with customers are as follows:

31 March 2020

Trade receivables days past due

| | not overdue \$000 | overdue 1-30 days \$000 | overdue 31-60 days \$000 | overdue 61-90 days \$000 | overdue over 90 days \$000 | Total \$000 |
|-------------------------------|----------------------|-------------------------------|--------------------------------|--------------------------------|-------------------------------------|----------------|
| Expected credit loss | 0.91% | 1.72% | 7.31% | 13.03% | 35% | - |
| Gross carrying amount | 786 | 599 | 109 | 46 | 673 | 2213 |
| Lifetime expected credit loss | 7 | 10 | 8 | 5 | 235 | 267 |

31 March 2019

Trade receivables days past due

| | not overdue \$000 | overdue 1-30 days \$000 | overdue 31-60 days \$000 | overdue 61-90 days \$000 | overdue over 90 days \$000 | Total \$000 |
|-------------------------------|----------------------|-------------------------------|--------------------------------|--------------------------------|-------------------------------------|----------------|
| Expected credit loss | 0.92% | 1.73% | 7.34% | 12.79% | 25% | - |
| Gross carrying amount | 845 | 763 | 187 | 130 | 1160 | 3086 |
| Lifetime expected credit loss | 8 | 13 | 14 | 17 | 290 | 341 |

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Trade and other payables

| | 2020 \$000 | 2019 \$000 |
|--|----------------|----------------|
| Trade payables | 1,831 | 2,223 |
| Other payables | 153 | 48 |
| Accruals | 292 | 92 |
| Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost | 2,276 | 2,363 |
| Other payables - tax and social security payments | 4 | 4 |
| Total trade and other payables | 2,280 | 2,367 |
| Total current portion | (2,280) | (2,367) |

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Included within trade payables is \$967k (2019: \$1,193k) denominated in other currencies.

The Company operates in a number of markets across the world and is exposed to currency exchange risk arising from various currency exposures in particular with regard to Euro, Sterling, Moldovan Leu and Russian Rubles. The Company is exposed to currency exchange risk arising from the recognised assets and liabilities as well as commitments arising from future trade transactions. Although the countries that the Company trades with have relatively stable economies, management has set up a policy which requires management of its foreign exchange risk against its functional currency by closely monitoring spot rate to balance inflows and outflows.

14. Loans and borrowings

| | 2020 \$000 | 2019 \$000 |
|----------------------|---------------|---------------|
| Non-current | | |
| Current | | |
| Bank loans - secured | - | 1 |

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Share capital

Authorised

| | 2020 Number | 2020 \$000 | 2019 Number | 2019 \$000 |
|---------------------------------|----------------|---------------|----------------|---------------|
| Shares treated as equity | | | | |
| Ordinary shares of \$1 each | 50,000 | 76 | 50,000 | 76 |
| | <u>50,000</u> | <u>76</u> | <u>50,000</u> | <u>76</u> |

Issued and fully paid

| | 2020 Number | 2020 \$000 | 2019 Number | 2019 \$000 |
|------------------------------------|----------------|---------------|----------------|---------------|
| Ordinary shares of \$1 each | | | | |
| At 1 April and 31 March | 50,000 | 76 | 50,000 | 76 |
| | <u>50,000</u> | <u>76</u> | <u>50,000</u> | <u>76</u> |

The issued share capital of £50,000 has been translated into US Dollars at the historic exchange rates which prevailed at the date of issue. This is in accordance with the provisions of IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

16. Notes supporting statement of cash flows

| | 2020 \$000 | 2019 \$000 |
|---|---------------|---------------|
| Cash at bank available on demand | 566 | 715 |
| Cash and cash equivalents in the statement of cash flows | <u>566</u> | <u>715</u> |

17. Controlling party

Alexandru Taracanov is the ultimate controlling party.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. Related party transactions

During the year ended 31 March 2020, a director received rent of \$60k (2019: \$60k) in relation of properties occupied by the Company. The transactions were undertaken on an arm's length basis. Included in trade payables at the reporting date is an amount of \$2k (2019: \$320k).

During the year ended 31 March 2020, a member of the close family of a director received consultancy fees of \$60k (2019: \$60k). The transaction was undertaken on an arm's length basis. Included in trade payables at the reporting date is an amount of \$96k (2019: \$96k).

During the year ended 31 March 2020, a company in which a close family member of a director has significant influence received consultancy fees of \$567k (2019: \$455k). Included in payables at the reporting date is an amount of \$51k (2019: \$97k).

During the year ended 31 March 2020, sales were made to a company in which a close family member of a director has significant influence of \$31,599k (2019: \$13,145k) and purchases of \$34,526k (2019: \$12,797k) were incurred. Included in receivables at the reporting date is an amount of \$nil (2019: \$122k). Included in payables at the reporting date is an amount of \$411k (2019: \$2k).

During the year ended 31 March 2020, sales were made to a company in which a close family member of a director has significant influence of \$1,441k (2019: \$2,184k) and purchases of \$1,597k (2019: \$2,151k) were incurred. Included in receivables at the reporting date is an amount of \$210k (2019: \$406k).

During the year ended 31 March 2020, sales were made to a company in which a close family member of a director has significant influence of \$2k (2019: \$8k) and purchases of 643\$k (2019: \$1,167k) were incurred. Included in payables is an amount of \$397k (2019: \$310k).

During the year ended 31 March 2020, dividends of \$800k (2019: \$nil) were paid to the directors of the company.