

Registrar

Registered number: 04686010

CAPITAL CITY SERVICE LIMITED

DIRECTORS' REPORT, STRATEGIC REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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COMPANIES HOUSE

CAPITAL CITY SERVICE LIMITED

COMPANY INFORMATION

DIRECTORS

Alexandru Taracanov
Rita Savocikin (resigned 28 November 2018)

REGISTERED NUMBER

04686010

REGISTERED OFFICE

54 Clarendon Road
Watford
Hertfordshire
WD17 1DU

AUDITORS

Simmons Gainsford LLP
Chartered accountants and registered auditors
7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

CAPITAL CITY SERVICE LIMITED

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CAPITAL CITY SERVICE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 2017.

BUSINESS REVIEW

During the year, the Company continued to develop geographically with sales increasing by 43% (2016: decrease of 2.53%).

The company increased the number of agents and consultants in order to acquire new customers and improve service to existing ones.

The company operates from 3 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 face 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:

	2017 \$'000	2016 \$'000	2015 \$'000
Revenue	166,211	116,226	119,240
Gross profit margin	1.09 %	2.18 %	1.80 %
(Loss)/Profit before tax	(298)	432	189
Net (loss)/profit margin	(0.17)%	0.37 %	0.16 %
Turnover growth	43.00 %	(2.53)%	1.39 %

FUTURE DEVELOPMENTS

Since the year end the Company has continued to develop, with further investment, in its telecommunications equipment.

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 Comprehensive Income from foreign currency movements was a loss of \$261,062 (2016: \$88,825). The main reason for the increase in the loss for the year is the increase of sales in the Eurozone whilst the Euro depreciated 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.

CAPITAL CITY SERVICE LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2017

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.

SENSITIVITY ANALYSIS

The functional currency of the company is US\$. 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\$ 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 Euro 4.28M this has been exchanged to Dollars using an exchange rate of 1.073. If this was to reduce to 5% with the weakening of the Euro then the exchange rate would be 1.019 if this rate was used then there would be an additional \$231,000 recorded as an expense in the accounts.

Payables

The balances at the year end for companies dealing in Euros is \$1.07M and this was exchanged to Dollars using rate 1.073. If this was to increase to 5% due to strengthening of the Euros then the exchange rate would be 1.127. If this rate was used then there would be an additional \$58,000 recorded as an expense in the accounts.

CAPITAL CITY SERVICE LIMITED

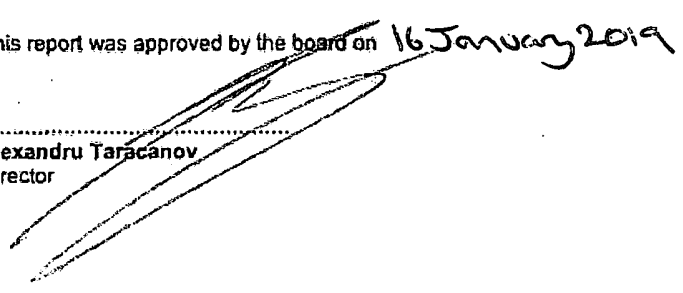
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

Cash at Bank

At the year end within cash at bank there were bank accounts holding Euros balances of Euro 216,839 and these have been translated using the exchange rate referred to above of 1.073, if there was a weakening of the Euro and it moved to 1.019 then there would be an additional \$12,000 recorded on the loss on foreign exchange.

This report was approved by the board on 16 January 2019 and signed on its behalf.

.....
Alexandru Taracano
Director



CAPITAL CITY SERVICE LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

The director presents his report and the audited financial statements for the year ended 31 March 2017.

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards, as adopted by European Union. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies in accordance with IAS 8; Accounting Policies, Changes in Accounting estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS

The loss for the year, after taxation, amounted to \$273,369 (2016: profit of \$318,370).

PRINCIPAL ACTIVITIES

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

DIRECTORS

The directors who served during the year were:

Alexandru Taracnov
Rita Savocikin (resigned 28 November 2018)

CAPITAL CITY SERVICE LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise:

- Bank balances;
- Trade receivables;
- 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

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Simmons Gainsford LLP be re-appointed will be put at a General Meeting.

This report was approved by the board on 16 January 2019 and signed on its behalf.

.....
Alexandru Taracano
Director



CAPITAL CITY SERVICE LIMITED

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

We have audited the financial statements of Capital City Service Limited for the year ended 31 March 2017, set out on pages 8 to 22. 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.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As explained more fully in the Director's responsibilities statement, set out on page 4, the director is 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Director's 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 company's affairs as at 31 March 2017 and of its loss 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

CAPITAL CITY SERVICE LIMITED

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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, 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.

Simmons Gainsford LLP

Atul Mehta, FCCA (Senior statutory auditor)

for and on behalf of
Simmons Gainsford LLP

Chartered Accountants and Statutory Auditor

7/10 Chandos Street
Cavendish Square
London

W1G 9DQ

Date: 16/01/2019

CAPITAL CITY SERVICE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 \$	2016 \$
REVENUE	2	166,210,913	116,226,032
Cost of sales		(164,384,540)	(113,697,290)
GROSS PROFIT		<u>1,826,373</u>	<u>2,528,742</u>
Distribution costs		(113,728)	(188,851)
Administrative expenses		(1,995,776)	(1,904,747)
OPERATING (LOSS)/PROFIT	3	(283,131)	435,134
Finance cost	4	(15,000)	(3,000)
(LOSS)/PROFIT BEFORE TAX		<u>(298,131)</u>	<u>432,134</u>
Tax charge for the year	7	31,123	(113,764)
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE FINANCIAL YEAR, ATTRIBUTABLE TO EQUITY SHAREHOLDERS		<u>(267,008)</u>	<u>318,370</u>

All amounts relate to continuing operations.

The company has no comprehensive income, other than profits above.

The notes on pages 11 to 22 form part of these financial statements.

CAPITAL CITY SERVICE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

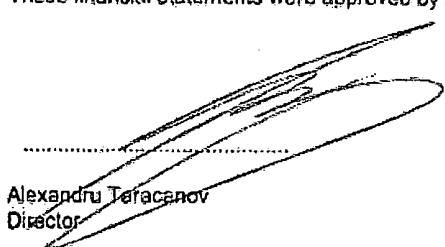
	Share capital \$	Retained Earnings \$	Total \$
As 1 April 2015	76,047	4,285,602	4,361,649
Total comprehensive income for the financial year	<u>-</u>	<u>318,370</u>	<u>318,370</u>
At 31 March 2016	<u>76,047</u>	<u>4,603,972</u>	<u>4,680,019</u>
 At 1 April 2016	 76,047	 4,603,972	 4,680,019
Total comprehensive loss for the financial year	<u>-</u>	<u>(267,008)</u>	<u>(267,008)</u>
At 31 March 2017	<u>76,047</u>	<u>4,336,964</u>	<u>4,413,011</u>

CAPITAL CITY SERVICE LIMITED

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2017**

		2017 \$	2016 \$
Assets			
Non-current Assets			
Property, plant & equipment	8	<u>365,679</u>	<u>790,955</u>
Current assets			
Trade and other receivable	9	9,429,118	7,470,773
Cash and cash equivalents		<u>619,407</u>	<u>885,376</u>
		10,048,525	8,356,149
Total assets		<u>10,414,204</u>	<u>9,147,104</u>
LIABILITIES			
Non Current liabilities			
Borrowings	11	-	603,000
Current liabilities			
Trade and other payables	10	5,994,099	3,743,151
Current tax liabilities	10	<u>7,094</u>	<u>120,934</u>
Total liabilities		<u>6,001,193</u>	<u>4,467,085</u>
Total net assets		<u>4,413,011</u>	<u>4,680,019</u>
CAPITAL AND RESERVE			
Share capital	12	76,047	76,047
Retained earnings		<u>4,336,964</u>	<u>4,603,972</u>
Total Equity		<u>4,413,011</u>	<u>4,680,019</u>

These financial statements were approved by the Board of Directors and authorised for issue on 16 January 2019


Alexandru Teraciov
Director

Company Registration No. 04686010

CAPITAL CITY SERVICE LIMITED

STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 MARCH 2016

	2017 \$	2016 \$
Operating activities		
(Loss)/Profit for the year before tax	(298,131)	432,134
Adjustment for depreciation of property, plant and equipment	83,242	165,371
Adjustment for loss on disposal of property, plant and equipment	70,944	109,343
Finance expense	15,000	3,000
Net cash inflow before changes in working capital	(128,945)	709,848
Decrease / (increase) in trade and other receivables	(1,927,222)	(3,311,518)
Decrease / (increase) in trade and other payables	2,232,948	485,104
Corporation tax paid	(113,840)	(54,795)
	191,886	(2,881,209)
Net cash inflow / (outflow) from operating activities	62,941	(2,171,361)
Investing activities		
Payments to acquire property, plant and equipment	(30,878)	(70,645)
Amount received from sale of property, plant and equipment	301,968	-
Interest received	-	-
Net cash outflow from investing activities	271,090	(70,645)
Financing activities		
Other loan received	-	600,000
Other loan repayment	(600,000)	-
Net increase / (decrease) in cash and cash equivalents	(265,969)	(1,642,006)
Bank & cash balances		
Cash and cash equivalents at beginning of year	885,376	2,527,382
Cash and cash equivalents at end of year	619,407	885,376

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

1.1 General information

Capital City Service Limited is a private limited company domiciled and incorporated in the United Kingdom.

1.2 Basis of accounting

The Company's financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006.

The directors deem it be more appropriate to produce the financial statements in accordance with IFRS due to the company's future plans of becoming listed and would therefore be more attractive to potential investors.

The Company's financial statements are prepared in US Dollars and all values are rounded to the nearest Dollar, except, where otherwise indicated. The Company's functional currency is also deemed to be US Dollars.

1.3 First-time application of accounting policies.

There were no new and/or amended Standards applied for the first time in the financial year which would have any material impact on the financial statements.

1.4 Future Amendments to accounting policy

The IASB and IFRS issued additional standards and interpretations not yet effective in the financial year 2016/17.

These have already been in part adopted by the European Union. The following standards and interpretations has already been published by the time these financial statements were prepared and are not yet effective; they have not been adopted early in the preparation of these accounts:

Standard	Effective date	Expected impact
IFRS 9 Financial instruments	1 January 2018	None
IFRS 15 Revenue from Contracts with Customers	1 January 2018	None
IFRS 16 Leases	1 January 2019	None

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES (continued)

1.5 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 comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1.6 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 comprehensive income.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the following basis:

Freehold property	- Over 45 years straight line
Plant & machinery	- 20% reducing balance
Motor vehicles	- Straight line over 7 years
Fixtures & fittings	- 20% reducing balance

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 Comprehensive Income in the period of derecognition.

1.8 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.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES (continued)

1.9 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.

1.10 Revenue

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

1.11 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.

1.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of 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 2017**

1. ACCOUNTING POLICIES (continued)

1.13 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.

1.14 Significant accounting judgements, estimates and assumptions

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 2017**

2. TURNOVER

The company generated turnover mainly in EU and worldwide.

GEOGRAPHICAL ANALYSIS OF TURNOVER

	2017 \$	2016 \$
UK	5,064,824	3,036,424
Rest of Europe	113,661,870	57,621,102
Russia	11,437,331	9,561,949
Rest of the World	36,047,088	46,006,557
Total	168,210,913	116,226,032

3. OPERATING (LOSS)/PROFIT

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

	2017 \$	2016 \$
Depreciation of property, plant and equipment: - owned by the company	83,242	165,371
Auditors' remuneration	37,372	33,103
Auditor's remuneration - Tax compliance	1,439	1,439
Loss on foreign exchange	261,062	88,825

The auditors also received amount of \$1,439 (2016: \$1,439) for tax compliance work.

4. FINANCE COST

	2017 \$	2016 \$
On other loans	15,000	3,000

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5. INFORMATION REGARDING EMPLOYEES

Staff costs, including director's remuneration, were as follows:

	2017	2016
	\$	\$
Wages and salaries	113,011	113,769
Social security costs	31,042	31,253
	<u>144,053</u>	<u>145,022</u>

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

	2017	2016
	No.	No.
Administration (Head Office)	9	20
Sales	28	38
Technical consultants	6	10
	<u>43</u>	<u>68</u>

6. KEY MANAGEMENT REMUNERATION

	2017	2016
	\$	\$
Remuneration	<u>5,085</u>	<u>4,702</u>

7. TAX CHARGE FOR THE YEAR

	2017	2016
	\$	\$
UK tax charge on profit for the year	<u>(31,123)</u>	<u>113,764</u>

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. TAX CHARGE FOR THE YEAR (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 \$	2016 \$
(Loss)/profit on ordinary activities before tax	(298,131)	432,134
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	(59,626)	86,427
Effects of:		
Expenses not deductible for tax purposes	17,236	26,136
Depreciation added back	16,648	33,074
Capital allowances	(10,073)	(32,029)
Other differences leading to an (decrease)/ increase in the tax charge	4,692	156
Current tax (credit)/charge for the year (see note above)	(31,123)	113,764

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Building \$	Plant & machinery \$	Fixtures & fittings \$	Total \$
Cost				
At 1 April 2016	179,648	1,520,000	37,094	1,736,742
Additions	-	28,541	2,338	30,879
Disposals	-	(916,213)	(7,385)	(923,598)
At 31 March 2017	179,648	632,328	32,047	844,023
Depreciation				
At 1 April 2016	8,448	907,235	30,104	945,787
Charge for the year	2,971	80,248	23	83,242
On disposals	-	(546,159)	(4,527)	(550,686)
At 31 March 2017	11,419	441,324	25,600	478,343
Net book value				
At 31 March 2017	168,229	191,004	6,447	365,680
At 31 March 2016	171,200	612,765	6,990	790,955

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Building \$	Plant & machinery \$	Fixtures & fittings \$	Total \$
Cost				
At 1 April 2015	179,648	1,910,809	31,266	2,121,723
Additions	-	63,019	7,626	70,645
Disposals	-	(453,828)	(1,798)	(455,626)
At 31 March 2016	179,648	1,520,000	37,094	1,736,742
Depreciation				
At 1 April 2015	5,732	1,093,185	27,782	1,126,699
Charge for the year	2,716	160,333	2,322	165,371
On disposals	-	(348,283)	-	(348,283)
At 31 March 2016	8,448	907,235	30,104	945,787
Net book value				
At 31 March 2016	171,200	612,765	6,990	790,955
At 31 March 2015	173,916	817,624	3,484	995,024

9. TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
Trade receivables	9,023,241	7,139,453
Other receivables	155,537	169,648
Prepayments and other receivables	249,778	161,672
Tax recoverable	562	-
	<u>9,429,118</u>	<u>7,470,773</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Company had 19 days of revenue outstanding in trade receivables as at 31 March 2017 (2016: 22 days). Included within trade receivables is \$4,837,519 (2016: \$3,037,499) 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.

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. DEBTORS (continued)

No provision has been made in these financial statement for potentially irrecoverable debts. However, in the current year \$13,026 was written off (2016: \$19,901).

Included within trade receivables are the following debtors which are past their due date:

Number of days overdue:

	2017 \$	2016 \$
0 – 30	3,276,745	1,119,285
31 – 60	253,659	239,767
61 – 90	8,377	22,973
91 – 120	342,025	96,197
Total	<u>3,880,806</u>	<u>1,478,222</u>

10. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
Bank loans and overdrafts	18,000	-
Trade payables	4,519,276	3,103,983
Corporation tax	7,094	120,934
Other taxation and social security	888	3,648
Other creditors	20,686	12,720
Accruals	1,435,249	622,800
	<u>6,001,193</u>	<u>3,864,085</u>

The carrying amount of trade and other payables approximates to their fair value.

Included within trade payables is \$1,364,162 (2016: \$1,410,195) denominated in other currencies.

Included within corporation tax payable is an amount of foreign tax due of \$7,094 (2016: \$7,170).

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.

CAPITAL CITY SERVICE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. BORROWINGS:

Amounts falling due after more than one year

	2017 \$	2016 \$
Other creditors	-	603,000
	<u> </u>	<u> </u>

12. SHARE CAPITAL

	2017 \$	2016 \$
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	76,047	76,047
	<u> </u>	<u> </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'.

13. NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 \$	2016 \$
Cash at bank and in hand	619,407	885,376
	<u> </u>	<u> </u>

The credit risk posed by these balances is discussed in note 10.

14. OPERATING LEASE COMMITMENTS

At 31 March 2017 the company had the following annual commitments under non-cancellable operating leases:

	2017 \$	2016 \$
Expiry date:		
Within 1 year	100,000	-
	<u> </u>	<u> </u>

15. CONTROLLING PARTY

For this year and the preceding year the Company did not have an ultimate controlling party.

Post year end Alexandru Taracano became the ultimate controlling party.

CAPITAL CITY SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. EVENTS AFTER THE YEAR END

There have been no significant events after the reporting date.

17. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, a director received rent of \$50,000 (2016: \$60,000) in relation of properties occupied by the Company. The transaction was undertaken on an arm's length basis. Included in trade payables at the reporting date is an amount of \$5,000 (2016: trade receivables of \$479).

During the year ended 31 March 2017, a member of the close family of a director received consultancy fees of \$60,000 (2016: \$60,000). The transaction was undertaken on an arm's length basis. Included in trade payables at the reporting date is an amount of \$5,000 (2016: \$nil).

During the year ended 31 March 2017, a person who has significant influence over the Company received fees for professional services of \$62,800 (2016: \$20,550). Included in payables at the reporting date is an amount of \$292 (2016: \$8,375).

During the year ended 31 March 2017, a company in which a close family member of a director has significant influence received consultancy fees of \$396,000 (2016: \$nil). Included in payables at the reporting date is an amount of \$36,000 (2016: \$54,000).

During the year ended 31 March 2017, sales were made to a company in which a director has significant influence of \$275 (2016: \$nil). Included in receivables at the reporting date is an amount of \$322 (2016: \$nil).

During the year ended 31 March 2017, sales were made to a company in which a close family member of a director has significant influence of \$4,162,193 (2016: \$3,526,496) and purchases of \$3,979 (2016: \$nil) were incurred. Included in receivables at the reporting date is an amount of \$101,875 (2016: \$274,916).

During the year ended 31 March 2017, sales were made to a company in which a close family member of a director has significant influence of \$489,020 (2016: \$1,062,437) and purchases of \$798,251 (2016: \$1,583,504) were incurred. Included in receivables at the reporting date is an amount of \$36,408 (2016: \$77,085). Included within payables is a loan of \$18,000 (2016: \$603,000) for which interest was incurred of \$15,000 (2016: \$3,000).

During the year ended 31 March 2017, sales were made to a company in which a close family member of a director has significant influence of \$12,603 (2016: \$nil) and purchases of \$1,184,263 (2016: \$nil) were incurred. Sales proceeds for fixed assets of \$301,968 (2016: \$nil) were paid by the related party. Included in receivables at the reporting date is an amount of \$40,020 (2016: \$nil), and included in payables is an amount of \$2,314 (2016: \$nil).