XLN Telecom Limited

Report and Financial Statements

31 March 2018

Registered Number: 03902543

Directors
C Nellemann
N Conaghan

Secretary
P Koullas

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Banker
Lloyds Bank Plc
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
Gillingham
Kent
ME8 0LS

Solicitor
Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Registered Office
First Floor Millbank Tower
21-24 Millbank
London SW1P 4QP

Strategic report

The Directors present their Strategic Report for the year ended 31 March 2018.

Principal activity

The principal activity of the Company is the provision of telecommunications services. There have not been any significant changes in the Company's principal activity in the year under review.

Business review

The Company's key performance indicators and the change from the prior year are as follows:

	2018	2017	Change
Turnover (£)	50,609,762	47,306,232	7.0%
EBITDA (£)	10,905,270	9,563,218	14.0%

The Company considers both turnover and EBITDA as key performance indicators and reviews them on a monthly basis.

Revenue and EBITDA have been positively impacted by the uplift in sales activity in the year.

In the coming year we will continue to focus on our excellent customer service, actively manage customer churn and bad debts, and ensure our margins are maintained. We recognise the benefits from cross-selling and look to continue to harness this opportunity in the forthcoming period. We will look to establish sales through scaling existing sales channels.

The Company continues to invest in system improvements that have resulted in increased process automation. These improvements are expected to lead to a more positive customer experience as a result of efficiency and accuracy gains. The Directors regard such improvements as necessary for the continued success in the medium-to long-term future of the business.

The Company balance sheet on page 12 shows the Company's financial position at the year-end is in a net asset position.

Principal risks and uncertainties

The Company operates in a highly competitive market which is a continuing risk to the Company and could result in losing sales to its key competitors. The Company manages this risk by providing value-added services to its customers, by having fast response times to customer queries and by responding to market developments.

The primary business risks currently facing the Company are:

- Changes to the regulatory environment
- Reduction in the use of fixed line telephone services as a result of changes in technology

The Directors believe that these factors are unlikely to have a material adverse effect on the Company for the foreseeable future.

The Company also sources services from India; however, as the majority of these costs are invoiced in pounds sterling, there is minimal risk from exchange rate fluctuations.

Strategic report (continued)

Financial risk management

The main financial risks arising from the Company's activities are credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are cash and trade receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the debt. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company's policy in respect of liquidity risk is to maintain readily accessible bank deposits to ensure the Company has sufficient funds for operations. The Company monitors cash flow as part of its day-to-day procedures.

On behalf of the Board

Neil Conaghan
Director
25 June 2018

Registered No. 03902543

Directors' report

The Directors present their Report and Financial Statements for the year ended 31 March 2018.

Dividends

The Directors do not recommend a final dividend (2017: £nil).

Research and development

Research and development in the business is concentrated on the Company's improvements in information technology systems to increase efficiency and improve customer experience.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue an operational existence for the foreseeable future, thus they adopt a going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Future developments

The Directors aim to implement action plans which will encourage the Company's growth. They consider that the next year will show growth in turnover and EBITDA, as well as a net increase in the size of the customer base. This is expected to be achieved through prices increases and by continuing to develop sales channels and improving product competitiveness.

Directors

The Directors who served the Company during the year were as follows:

C Nellemann
N Conaghan

Disabled employees

The Company 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. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate work place adjustments where practicable to achieve this aim.

Employment involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Company has been continued. The Company has an employee consultation group which encourages communication and employee feedback. Findings from the employee consultative group are fed back to the management team.

Financial risk management

Details are provided in the Strategic Report on page 3 of these financial statements.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the next Board Meeting.

On behalf of the Board

Neil Conaghan
Director
25 June 2018

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 Company and of the profit or loss for that period.

In preparing those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are 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. They are 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.

Independent auditor's report

to the members of XLN Telecom Limited

Opinion

We have audited the financial statements of XLN Telecom Limited for the year ended 31 March 2018 which comprise the Statement of comprehensive income, the Statement of changes in equity, Balance Sheet and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2018 and of its profit for the year 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.

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 Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have 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.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

to the members of XLN Telecom Limited

Other information (continued)

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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 Directors' 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 directors' 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 Directors' responsibilities statement set out on page 6, the Directors are 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 Directors determine 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 Directors are 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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 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.

Ernst + Young LLP

Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 June 2018

Statement of comprehensive income

for the year ended 31 March 2018

	Notes	2018 £	2017 £
Turnover	3	50,609,762	47,306,232
Cost of sales		(22,972,451)	(21,156,475)
Gross profit		27,637,311	26,149,757
Marketing, selling and distribution costs		(1,909,815)	(2,620,591)
Administrative expenses		(15,497,531)	(14,788,972)
Operating profit	4	10,229,965	8,740,194
Interest receivable and similar income	7	36,057	7
Interest payable and similar charges	8	(61,375)	-
Profit on ordinary activities before taxation		10,204,647	8,740,201
Tax expense	9	(1,952,720)	(1,703,401)
Profit for the financial year being total comprehensive income for the year		8,251,927	7,036,800

All amounts relate to continuing activities.

Statement of changes in equity

for the year ended 31 March 2018

	Share capital £	*Share premium* £	*Retained earnings* £	*Total equity* £
At 1 April 2016	205	1,689,058	49,437,192	51,126,455
Total comprehensive income for the year	-	-	7,036,800	7,036,800
At 1 April 2017	205	1,689,058	56,473,992	58,163,255
Total comprehensive income for the year	-	-	8,251,927	8,251,927
At 31 March 2018	205	1,689,058	64,725,919	66,415,182

Dividends paid and proposed

No dividends have been paid (2017: £nil) or proposed (2017: £nil) in the year ended 31 March 2018.

Balance sheet

at 31 March 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	10	147,003	323,358
Tangible assets	11	334,801	565,765
		481,804	889,123
Deferred tax asset	9(c)	118,903	68,889
Current assets			
Stock	12	29,750	30,454
Debtors: amounts falling due within one year	13	96,452,475	83,150,108
Cash at bank and in hand		2,226,699	2,190,294
		96,708,924	85,370,856
Creditors: amounts falling due within one year	14	(32,676,039)	(28,165,613)
Net current assets		66,032,885	57,205,243
Total assets less current liabilities		66,633,592	58,163,255
Provisions for liabilities	15	(218,410)	-
Net assets		66,415,182	58,163,255
Capital and reserves			
Share capital	18	205	205
Share premium		1,689,058	1,689,058
Retained earnings		64,725,919	56,473,992
Total equity		66,415,182	58,163,255

These financial statements of XLN Telecom Limited, registered number 03902543, were approved by the Board of Directors and authorised for issue on 25 June 2018 and signed on its behalf by:

Neil Conaghan

Director

Notes to the financial statements

at 31 March 2018

1. Accounting policies

Domicile

The Company, whose registered address is First Floor Millbank Tower, 21-24 Millbank, London, SW1P 4QP, is a private company limited by shares is incorporated and domiciled in England.

Compliance with FRS 101

These financial statements were prepared in accordance with applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

The Company's financial statements are presented in pounds sterling and all values are rounded to the nearest pound except when otherwise indicated.

The results of the Company are included in the consolidated financial statements of Aston (XLN) Topco Limited, which are available at First Floor Millbank Tower, 21-24 Millbank, London SW1P 4QP.

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
b) the requirements of IAS 7 *Statement of Cash Flows;*
c) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
   - paragraph 79(a)(iv) of IAS 1
   - paragraph 73(e) of IAS 16 *Property Plant and Equipment*
   - paragraph 118(e) of IAS 38 *Intangible Assets;*
d) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement;*
e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
f) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of assets*;
g) the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*;
h) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*; and
i) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

The Company has adequate financial resources together with long-term contracts with a number of suppliers. The customer base is diversified across geographic areas and industries within the UK and the customer base remains strong. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The group which the Company belongs to is financed by a mixture of secured debt and equity, with the majority of the debt due in more than one year. The group has positive EBITDA and is cash generative. As a result the group will be able to settle the secured loan interest when it is due. The group will consider refinancing the secured debt in due course.

The Company meets its day to day working capital requirements through cash generated from operating activities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should continue to be able to operate for the foreseeable future using cash generated from operations, and that no additional borrowing facilities will be required.

After making enquiries, the Directors have a reasonable expectation for the Company to continue in operational existence for the foreseeable future. Thus, the going concern basis has been adopted in preparing the financial statements.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Going concern (continued)

Further information on the financial position of the Company, its risk management objectives and its exposure to credit risk and liquidity risk is contained in the Strategic Report.

Foreign currency translation

The Company's financial statements are presented in pounds sterling, which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the statement of comprehensive income.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Rendering of services

Line rental, call packages, broadband subscriptions and mobile subscriptions are recognised in the period to which they relate. Call revenue is recognised in the period in which calls are made; calls made in the year, but not billed by the year end, are accrued within debtors as accrued income. Turnover from other telecommunication services is recognised in the period to which it relates with appropriate adjustments made where invoices are raised in advance or arrears.

Cost of sales

Line and broadband rental charges are recognised in the period to which they relate. Call charges are recognised in the period in which calls are made; calls made in the year, but not billed by the year end, are included within creditors as accruals. Costs associated with other telecommunication services are recognised in the period to which they relate with appropriate adjustments made where charges are raised in advance or arrears.

Broadband set-up costs comprise direct migration and set-up costs of installing broadband on subscriber fixed lines and are reflected in cost of sales as incurred.

New line charges, relating to costs incurred on installing a new line at customer premises reflected in cost of sales as incurred.

Customer acquisition costs

The costs associated with acquiring customers through third parties are charged to the statement of comprehensive income as they are incurred.

Pensions and other post-retirement benefits

Contributions to the defined contribution scheme are recognised in the statement of comprehensive income in the period in which they become payable. The majority of contributions made are in line with the requirements for auto-enrolment pension schemes.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the statement of comprehensive income as the benefits are earned. An accrual is made at each reporting date to reflect the fair value of holidays earned but not yet taken.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Leasing commitments

An assessment of whether an arrangement contains a lease is made at the inception of any arrangement. The Company reviews all of the facts and circumstances applicable at the time.

Leases where the Company is a lessee, and the lessor retains a significant portion of the risks and benefits of ownership of the asset, are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Intangible assets – Software platform, website development and license costs

Software platform, website development and licence costs comprise external infrastructure and design costs incurred in the development of software for internal use and external use. Software platform, website development and licence costs are recognised as an intangible asset only if they can be separately identified, it is probable that the asset will generate future economic benefits, and the development costs can be measured reliably.

Development expenditure is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Where these conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit.

Software platform and website development and licence costs are amortised on a straight-line basis over their estimated useful economic lives of three to four years.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Intangible assets – Software platform, website development and license costs (continued)

The costs to purchase computer software that are separable from an item of related hardware are capitalised separately and amortised on a straight line basis over a period of four years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost comprises the aggregate amount paid and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	–	2-4 years
Fixtures and fittings	–	2-4 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Stock

Stock is valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition on a first-in, first-out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Derecognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and 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 (excluding future credit losses that have been incurred) 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, with the amount of the loss recognised in administrative expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss in recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Trade and other debtors

Trade debtors, which generally have 14 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through the statement of comprehensive income when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash in the balance sheet comprises cash at banks and in hand.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar charges.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair values

The fair value of financial instruments is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are discounted.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Notes to the financial statements (continued)

at 31 March 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition and recoverability of trade receivables

In certain circumstances, when a customer cancels a contract before the agreed end date, the Company is entitled to charge a termination fee. Despite the fact that the Company is contractually entitled to apply these fees, recoverability of this type of revenue has historically been lower than for other revenue streams.

The Directors believe that, based on past performance and collection patterns, they can reliably measure the probable economic benefits that will flow to the Company from termination fees, however, there is inevitably some variability in the level of recoverability of termination fees, which is taken into account when assessing the initial fair value of the revenue recorded.

Historical data indicates that the variability in recoverability of termination fees is less than 25%. Should the assumptions on which termination fee revenue is calculated vary by more than 25% then there may be a material impact on reported revenues and profits.

After initial recognition of revenue and associated accounts receivable in relation to termination fees, the trade receivables are reviewed to estimate the level of provision required for irrecoverable debt, alongside other trade receivables. Provisions are made against the portfolio of trade receivables to appropriately reflect any uncertainty as to recoverability.

Operating lease commitments — Company as lessee

The Company has entered into commercial property leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties, and accordingly accounts for the contracts as operating leases.

Impairment review of assets

Determining whether assets are impaired requires an estimation of the recoverable amount which is the higher of value in use and fair value less cost to sell of the cash-generating units to which assets has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate a present value. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Company.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Historical differences between forecast and actual taxable profits have not resulted in material differences to the recognition of deferred tax assets.

Notes to the financial statements (continued)

at 31 March 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Development costs

Development costs are capitalised in accordance with the accounting policy given in note 1. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Included within intangible fixed assets are costs relating to the redeveloped website of the Company, which was completed in August 2015. At 31 March 2018, the carrying amount of the website is £22,415 (2017: £48,480).

3. Turnover

All of the Company's turnover for the current and prior year arises from continuing operations within the United Kingdom. Turnover is analysed as follows.

	2018	*2017*
	£	*£*
Rendering of communication services	50,609,762	47,306,232
Total turnover	50,609,762	47,306,232

No revenue was derived from exchanges of goods or services (2017: £nil).

4. Operating profit

This is stated after charging:

	2018	*2017*
	£	*£*
Research and development costs	149,339	203,284
Cost of inventories recognised as an expense (included in cost of sales)	704	3,496
Defined contribution pension plan expense	106,309	92,236
Depreciation of tangible fixed assets (note 11) *	450,773	490,294
Amortisation of intangible fixed assets (note 10) *	224,530	332,730
Operating lease charges	525,296	526,840

*- included within administrative expenses in the statement of comprehensive income

Auditor's remuneration for audit services of £43,000 (2017: £35,000) has been recognised in the year.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its ultimate parent Aston (XLN) Topco Limited.

There were no exchange differences recognised in the year (2017: £nil).

Notes to the financial statements (continued)

at 31 March 2018

5. Directors' remuneration

Directors' remuneration was borne by Aston Bidco Limited. The Directors are also directors of other companies within the Group, and in their opinion it is not practicable to apportion their total remuneration between qualifying services to the Company and services to other companies in the Group

6. Staff costs

	2018	*2017*
	£	*£*
Wages and salaries	9,781,121	9,182,911
Pension costs	106,309	92,236
Social security costs	904,636	862,414
	10,792,066	10,137,561

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Sales	140	101
Administration	269	264
	409	365

7. Interest receivable and similar income

	2018	*2017*
	£	*£*
Bank interest receivable	36,057	7
	36,057	7

8. Interest payable and similar charges

	2018	*2017*
	£	*£*
Other interest payable	61,375	-
	61,375	-

Notes to the financial statements (continued)

at 31 March 2018

9. Tax

(a) Tax on profit on ordinary activities

The tax expense is made up as follows:

	2018	*2017*
	£	*£*
Current tax:		
UK corporation tax on the profit for the year	1,978,430	1,796,755
Adjustment in respect of prior year	24,304	(26,494)
Total current tax	2,002,734	1,770,261
Deferred tax:		
Origination and reversal of timing differences	(52,746)	(74,289)
Change in UK corporation tax rate	2,732	7,429
Total deferred tax (note 9(c))	(50,014)	(66,860)
Total tax expense (note 9(b))	1,952,720	1,703,401

(b) Factors affecting the tax expense for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018	*2017*
	£	*£*
Profit on ordinary activities before taxation	10,204,647	8,740,201
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	1,938,883	1,748,040
Effects of:		
Expenses not deductible for tax purposes	15,301	14,432
Change in UK corporation tax rate	2,732	7,429
Adjustment in respect of prior year	24,304	(26,494)
Non-taxable income	(28,500)	(40,000)
Other	-	(6)
Total tax expense for the year (note 9(a))	1,952,720	1,703,401

Notes to the financial statements (continued)

at 31 March 2018

9. Tax (continued)

(c) Deferred tax

	£
At 1 April 2016	2,029
Charge to statement of comprehensive income (note 9(a))	66,860
At 1 April 2017	68,889
Charge to statement of comprehensive income (note 9(a))	50,014
At 31 March 2018	118,903

Deferred tax is provided as follows:

	2018	*2017*
	£	£
Origination and reversal of timing differences	52,746	74,289
Other timing differences	(2,732)	(7,429)
	50,014	66,860

The net deferred tax asset included in the balance sheet is as follows:

	2018	*2017*
	£	£
Accelerated capital allowances	119,073	69,899
Other timing differences	(170)	(1,010)
	118,903	68,889

(d) Factors that may affect future tax charges

The headline rate of UK corporation tax remained at 20% on 1 April 2016 and reduced to 19% on 1 April 2017. Finance Act 2016 includes a further reduction to 17% from 1 April 2020. This reduction was substantively enacted on September 2016 and has been reflected in the calculation of the deferred tax balances at the balance sheet date.

Notes to the financial statements (continued)

at 31 March 2018

10. Intangible assets

	Software platform, web development and licence costs	*Total*
	£	*£*
Cost:		
At 1 April 2017	2,619,446	2,619,446
Additions	48,175	48,175
At 31 March 2018	2, 667,621	2,667,621
Depreciation:		
At 1 April 2017	2,296,088	2,296,088
Charge for the year	224,530	224,530
At 31 March 2018	2,520,618	2,520,618
Net book value:		
At 31 March 2018	147,003	147,003
At 31 March 2017	323,358	323,358

No intangible assets are internally generated.

11. Tangible assets

	Computer equipment	*Fixtures and fittings*	*Total*
	£	*£*	*£*
Cost:			
At 1 April 2017	1,706,439	1,293,885	3,000,324
Additions	53,370	166,439	219,809
At 31 March 2018	1,759,809	1,460,324	3,220,133
Depreciation:			
At 1 April 2017	1,575,468	859,091	2,434,559
Charge for the year	78,910	371,863	450,773
At 31 March 2018	1,654,378	1,230,954	2,885,332
Carrying amount:			
At 31 March 2018	105,431	229,370	334,801
At 31 March 2017	130,971	434,794	565,765

Notes to the financial statements (continued)

at 31 March 2018

12. Stock

	2018	*2017*
	£	*£*
Cost of mobile handset peripherals	29,750	30,454
	29,750	30,454

13. Debtors: amounts falling due within one year

	2018	*2017*
	£	*£*
Trade debtors	2,033,456	1,584,836
Amounts owed by group undertakings	91,545,621	79,415,413
Other debtors	4,586	6,590
Prepayments	1,328,630	1,214,375
Accrued income	1,540,182	928,894
	96,452,475	83,150,108

Trade debtors are non-interest bearing and are generally on terms of 15-30 days.

Amounts owed by group undertakings are interest free and are repayable on demand.

14. Creditors: amounts falling due within one year

	2018	*2017*
	£	*£*
Trade creditors	4,123,693	3,963,651
Amounts owed to group undertakings	20,606,620	16,626,867
Amounts owed to group undertakings (group relief)	1,088,976	1,474,103
Corporation tax	562,751	169,289
Other taxes and social security costs	1,334,664	1,218,726
Accruals	1,346,280	1,664,909
Deferred income	3,609,933	3,044,946
Other creditors	3,122	3,122
	32,676,039	28,165,613

Amounts owed to group undertakings are interest free and are repayable on demand.

Notes to the financial statements (continued)

at 31 March 2018

15. Provisions

	Dilapidations	*Total*
	£	*£*
At 1 April 2017	-	-
Arising during the year	218,410	218,410
At 31 March 2018	218,410	218,410

Dilapidations
A provision is recognised based on the future expected repair costs required to restore the Company's leased buildings to their fair condition at the end of their respective lease terms. The calculated provisions were based on estimated costs provided by third party contractors. The provision is expected to be utilised by June 2025.

16. Commitment

There is a joint composite guarantee between Aston (XLN) Topco Limited, Aston Bidco Limited, Hamsard 3209 Limited, Hamsard 3219 Limited, Hamsard 3210 Limited, XLN Telecom Holdings Limited, XLN Limited (formerly known as XLN Telecom (No.1) Limited), XLN Telecom Limited, XLN Card Processing Solutions Limited, OneBill Group Limited, OneBill Limited, OneBill Telecom Limited and XLN Energy Limited. This guarantee relates to the secured loans issued by U.S. Bank Trustees Limited (as the security agent) of £115,000,000. This guarantee and debenture is secured by fixed and floating charges over all existing and future assets of the Company. The outstanding amount on the secured loan as at 31 March 2018 is £106,923,611 (2017: £109,500,000).

17. Operating leases

At 31 March 2018, the Company has future minimum rentals payable under non-cancellable operating leases as set out below.

	2018	*2017*
	£	*£*
Not later than one year	673,305	652,776
After one year but not more than five years	1,301,598	1,649,503
After five years	407,860	732,736
	2,382,763	3,035,015

The Company has entered into commercial leases on certain properties. These leases have an average duration of between four and ten years. None of the property lease agreements contain an option for renewal. The leases contain provisions that prohibit or restrict dispositions.

Notes to the financial statements (continued)

at 31 March 2018

18. Authorised, issued and called up share capital

		2018		2017
Authorised	*No.*	*£*	*No.*	*£*
Ordinary shares of £0.00001 each	100,000,000	1,000	100,000,000	1,000

		2018		2017
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £0.00001 each	20,510,000	205	20,510,000	205

The ordinary shares are entitled to one vote per share. There are no preferences or restrictions associated with this class of shares in relation to dividends or capital repayment.

No shares were issued in the year (2017: nil).

19. Related party transactions

The Company has taken advantage of the exemptions allowed by FRS 101 Paragraph 8 (k) not to disclose any transactions with entities that are included in the group financial statements of Aston (XLN) Topco Limited on the grounds that it is a wholly owned subsidiary undertaking of Aston (XLN) Topco Limited.

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is XLN Limited (formerly known as XLN Telecom (No.1) Limited), a company incorporated in the United Kingdom. The ultimate parent undertaking is Aston (XLN) Topco Limited, a company incorporated in Jersey.

The largest and smallest group of undertakings for which group financial statements have been drawn is that headed by Aston (XLN) Topco Limited. Copies of the group financial statements are annexed behind the financial statements of Aston Bidco Limited and are also available from First Floor Millbank Tower, 21-24 Millbank, London SW1P 4QP.

The controlling party is Knud Nellemann.