

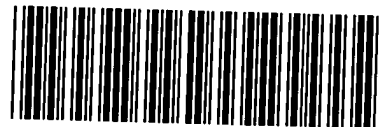
Company Registration No. 3879840

**Cambridge Broadband Networks  
Limited**

**Report and Financial Statements**

**31 December 2017**

FRIDAY



A18 \*A7ALAX8B\* #8  
20/07/2018  
COMPANIES HOUSE

**CAMBRIDGE BROADBAND NETWORKS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS 2017**

**CONTENTS**

|   | Page      |
|---|-----------|
| <b>Officers and professional advisers</b>             | <b>2</b>  |
| <b>Strategic report</b>                               | <b>3</b>  |
| <b>Directors' report</b>                              | <b>7</b>  |
| <b>Directors' responsibilities statement</b>          | <b>10</b> |
| <b>Independent auditors' report</b>                   | <b>11</b> |
| <b>Consolidated income statement</b>                  | <b>14</b> |
| <b>Consolidated statement of comprehensive income</b> | <b>15</b> |
| <b>Consolidated balance sheet</b>                     | <b>16</b> |
| <b>Consolidated statement of changes in equity</b>    | <b>17</b> |
| <b>Consolidated cash flow statement</b>               | <b>18</b> |
| <b>Company balance sheet</b>                          | <b>19</b> |
| <b>Company statement of changes in equity</b>         | <b>20</b> |
| <b>Company cash flow statement</b>                    | <b>21</b> |
| <b>Notes to the financial statements</b>              | <b>22</b> |

**CAMBRIDGE BROADBAND NETWORKS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2017**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

H Hauser  
L Chmielewsky  
J Naylor  
M Gibson  
A Lederle  
J McKay

**SECRETARY**

S Gowing

**REGISTERED OFFICE**

Byron House  
Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0WZ

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Statutory Auditor  
Abacus House  
Castle Park  
Cambridge  
CB3 0AN

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## STRATEGIC REPORT

The principal activities of the Group are the design, manufacture and sale of PMP microwave and millimetre wave radios for use in telecommunications.

The financial year to 31 December 2017 saw Cambridge Broadband Networks Limited ('CBNL' or 'the Group') consolidate its position in the market, whilst continuing to experience short-term operational and financial challenges normal for companies such as CBNL.

CBNL increased revenue by 27% to \$37.2m (2016: \$29.4m) and achieved an operating profit of \$0.4m (2016: operating loss of \$1.4m) whilst maintaining a strong gross margin of 46% (2016: 53%).

During 2017 CBNL attracted new business from a US tier 1 customer for development and delivery of new products for the US market. In addition, CBNL continued to balance and diversify its customer portfolio, which currently stretches across 48 countries and provides products and services to over 100 service providers, including seven of the world's top ten largest mobile operators. Furthermore, 2017 saw CBNL continue to be active in a growing number of addressable markets. CBNL have provided connectivity for carrier-grade security and surveillance networks and smart cities. This is in addition to CBNL's more established markets of backhaul, enterprise access and, more recently, fixed wireless to home.

With \$4.1 million (2016: \$4.3 million) invested in R&D over the course of 2017, CBNL continued to lead the market in licensed point-to-multipoint (PMP) engineering expertise.

### **Market opportunity**

#### *Overview*

The market continues to present good opportunities for continued growth at CBNL. Fixed wireless access for both residential and enterprise markets will be a strong source of additional revenues in the future as will the verticals of smart cities, education and surveillance.

5G provides an opportunity to roll out high speed services to the residential market and help close the digital divide. Millimetre wave wireless connectivity specialists, such as CBNL, are well positioned to capitalise this opportunity.

There are currently changes, movement in some licensed spectrum bands which may present opportunities and these will need to be considered as we develop next generation products.

### **Strategy**

CBNL's strategy continues to be that of leveraging our world-class expertise and product portfolio to accelerate deployments with new and existing customers, broadening our applications and global footprint.

This includes expanding CBNL's direct relationship with Tier 1 operators and internet service providers to deploy more projects within their groups of operating companies, whilst addressing sizable new market opportunities in the U.S., Europe, Asia, Africa and the Middle East. Furthermore, CBNL will continue to leverage its world-class R&D expertise to develop further engineering partnerships, building on the successful NRE projects delivered to date.

We will continue our high levels of R&D investment to expand VectaStar's capacity, and to invest in research for next generation solutions.

Additionally, we continue to look at ways of maximising our reach to the market via other appropriate strategic partnerships and go-to-market approaches.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## STRATEGIC REPORT (continued)

### Board

We are fortunate to retain exceptional talent on our board, which is a mix of Executive and Non-executive shareholder representative directors, all of whom have extensive industry experience, and many of whom have extensive VC experience and have the advantage of long tenure with the Group. They meet a minimum of four times a year, with other regular updates held as required.

### Principal risks and uncertainties

The following list specifies operating risks and uncertainties relevant to CBNL's business. It is not exhaustive.

- The telecommunications industry is intensely competitive. CBNL is small in comparison with its wider competitors and such competitors may be able to price and discount PMP or PTP links as part of a wider offering of an entire network.
- The Group has a single source manufacturer in Benchmark Electronics Inc., and its products are manufactured in the People's Republic of China (PRC). CBNL's revenue may be affected by any issues which affect this company and any working restrictions which apply to the PRC.
- The Group's VectaStar products include bespoke components which have an extended lead time for manufacture and delivery, and also contain scarce materials which have long lead times and may be subject to restricted availability.
- The Group builds product on the basis of sales forecasts. These may be inaccurate, overstated or subject to change.
- The Group's VectaStar products rely on owned IP and on open source software. Challenges may be made to owned IP and the availability of proprietary and open source software may change.
- Software and hardware failures may render the product unserviceable. The Group offers a guarantee on products, which if called upon in greater frequency than forecast, could have an impact on revenue and on margin.
- There is significant competition for highly qualified, experienced and specialised employees. Loss of key personnel could adversely impact the Group's ability to pursue its R&D roadmap and serve its existing and future customers.
- CBNL's operating results could be negatively impacted by exposure to foreign currency risk and inability to extract funds from operating subsidiaries.

The executive management of the Group, using both internal and external data as appropriate, regularly considers how these and other risks might impact on the achievement of the Group's strategic objectives and the overall performance of the business. Where a risk is considered to be material, executive management is responsible for developing and maintaining plans to mitigate against the risk actually occurring, or to respond in the event the risk were to occur. Risks in certain areas, and the plans to mitigate them, are also subject to periodic review by the Board.

### Personnel

Headcount at 31 December 2017 was 83 (2016: 85).

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## STRATEGIC REPORT (continued)

### Financials

Revenue for 2017 was \$37.2m compared to \$29.4m in 2016 with the increase driven by NRE projects in North America and growth in Africa.

Gross profits were improved in line with revenue at \$17.1m (2016: \$15.5m) despite continued unit price pressure in all markets.

Operational costs for the year were \$12.6m (2016: \$12.6m) and the Group invested \$4.1m (2016: \$4.3m) in R&D activities.

This resulted in a operating profit for the year of \$0.4m (2016: operating loss of \$1.4m). The net loss of the year after financing and tax was \$1.7m (2016: \$3.8m).

### Key performance indicators (KPIs)

Financial key performance indicators for CBNL were as follows:

| Financial KPI  | Actual 2017 | Actual 2016 |
|----------------|-------------|-------------|
| Revenue (\$m)  | \$37.2      | \$29.4      |
| Gross margin % | 46%         | 53%         |
| EBITDA (\$m)   | \$1.2       | -\$0.5      |
| Debtor Days    | 136         | 122         |

EBITDA for KPI purposes is operating loss before depreciation and amortisation excluding withholding tax and foreign exchange gains and losses.

### Going concern

The Group and Company were loss making during the year and expect to continue to invest in the growth of the business over the forecast period with no incremental funding required. The Company renewed its venture debt funding with Triplepoint Capital and secured an increase to its existing BMS finance credit facility on 19 December 2017. The new terms for both of these facilities were 4 and 2 years respectively and are therefore available for the entire twelve month period following the approval of the financial statements, although certain financial covenants need to be met on a quarterly basis.

The Directors have prepared a business plan and cash flow forecast for a twelve month period following the approval of the financial statements. The forecast contains certain assumptions about the level of future sales and the level of gross margins. These assumptions are the Directors' best estimate of the future development of the business.

The Directors recognise that there is inherent uncertainty attached to the timing and quantum of future sales and receipts thereon due to the nature of the sector in which the Group and Company operate and the trading cycles of the customer base and therefore, whilst mitigating actions are available to the Directors to reduce the ongoing costs of the business there is a risk that Group and Company may require additional funding and / or the loan covenants may not be met.

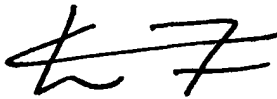
# CAMBRIDGE BROADBAND NETWORKS LIMITED

## STRATEGIC REPORT (continued)

### Going concern (continued)

There is a material uncertainty related to the ability of the Group and Company to meet the requirements of the loan covenants and the ability to obtain additional funding which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern. In the event that the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including inventories, to their recoverable amount and providing for any further liabilities that might arise, as well as reclassifying non-current assets to current assets. However, the Directors believe there is a reasonable expectation that they can continue as a going concern for a period greater than twelve months from the date of approval of these financial statements.

On behalf of the Board



L Chmiewsky  
Director  
27 June 2018

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## DIRECTORS' REPORT

The Directors present their annual report, together with the audited consolidated financial statements and auditors' report, for the year ended 31 December 2017.

## CORPORATE AND SOCIAL RESPONSIBILITY

### Our people

The Group is proud to work with an excellent team of people, and a working environment that allows freedom to operate and cultivates innovation and the sharing of ideas. We continue to find new ways to improve our internal communication and in turn, continue our culture of teamwork.

### Supplier, partner and contractor relations

Operating in countries such as Africa and the Middle East, the Group is acutely aware of compliance responsibilities and works closely with suppliers and customers to ensure best practice. In its business code of conduct, the Group demands compliance with regulations and laws, including anti-corruption legislation, anti-trust legislation and export controls. The Group is also firmly committed to providing equality of opportunity in all aspects of the business and does not tolerate discrimination, harassment, retaliation or victimisation for any reason.

CBNL outsources the manufacture of its VectaStar products to the US-based Benchmark Electronics Inc. at their state-of-the-art facility in Suzhou, China. This build-to-print factory is fully ISO (International Organization for Standardization), TL9000 (Telecommunications sector-specific ISO 9000 standard), TS16949 (ISO technical specification aimed at the development of a quality management system) and EHS (Environmental, Health and Safety) compliant. All products are manufactured to CBNL's own design and tested on CBNL equipment and to Group specifications, prior to release.

As a matter of course, the Group stipulates that all suppliers have appropriate environmental and employment policies in place.

The Group is dedicated to reducing its environmental impact, both within its products as well as its business operations. Telecommunications network equipment may be power intensive and environmentally intrusive. CBNL has taken extensive steps to significantly reduce the amount of power required to run a network using its equipment. The VectaStar architecture reduces the number of radios required for each network by almost half compared with the point-to-point (PTP) microwave provision.

This in turn requires half as much power and half as many mounting sites, radically reducing VectaStar's environmental impact.

Internally, the Group positively encourages recycling and continues to pursue strategies to reduce waste water and energy consumption at an operational level.

### Results and dividends

The net loss for the year after taxation amounted to \$1.7m (2016: loss of \$3.8m). The Directors do not recommend the payment of a dividend for the year (2016: nil). In the year ended 31 December 2017 the Group generated revenue of \$37.2m (2016: \$29.4m).

### Research and development

The Group spent \$4.1m (2016: \$4.3m) on R&D activities during the year. These have been treated in accordance with note 3 to the Financial Statements.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## DIRECTORS' REPORT (continued)

### DIRECTORS

The Directors who served throughout the year and at the date of this report were:

H Hauser  
J Naylor  
M Gibson  
L Chmielewsky  
A Lederle  
J McKay

### Directors' Indemnities

The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance. The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. The Group has made qualifying third party indemnity provisions for the benefit of its Directors.

### Policy on payment of creditors

It is the Group's policy that payments to suppliers should be made in accordance with the terms agreed with them, provided that all trading terms and conditions have been met. At 31 December 2017 the Company had an average of 125 days of purchases outstanding in trade payables (2016: 253 days).

### Directors' statement as to disclosure of information to the Auditor

In the case of each of the Directors of the Group at the date on which this report was approved:

- as far as each of the Directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Financial risk management

The main financial risks arising from the Group's activities are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group's management of these risks is set out in note 29.

### Capital structure

The Group's share capital is divided into four classes of share, AA preferred, BB preferred, ordinary and AA ordinary, all of £0.01 each. The AA ordinary shares have not been issued – options over these will be granted when the Company's new share scheme is implemented. The classes of share carry different voting rights and rights as to dividends and the distribution of reserves. Please see note 23 of the Financial Statements for more detail.

### Political and charitable donations

No political donations were made during the year. Employees participated in various charitable fundraising activities during the year in aid of local and national charities.

### Employees

CBNL seeks to involve its employees in its corporate objectives plans and performance and in other relevant matters of interest to employees through various communication methods, including regular employee meetings. The Directors consider there to be a good working relationship between Directors and staff. The Group is an equal opportunities employer and does not discriminate in the recruitment and promotion of staff, including applicants who are disabled.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## DIRECTORS' REPORT (continued)

### Health and safety and environmental issues

The Group is committed to achieving high health and safety and environmental standards and aims for continuous improvement and performance in those areas. The Group has an excellent health and safety record. Constant innovations in the design and manufacture of our products continue to reduce the environmental impact of manufacturing and operating the Group's products.

### Going concern

Details of going concern for the group are included within the strategic report.

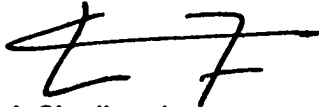
### Post balance sheet events

There have been no post balance sheet events.

### Independent Auditor

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the auditor.

On behalf of the Board



**L Chmielewsky**

Director

27 June 2018

## **CAMBRIDGE BROADBAND NETWORKS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the 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 group and parent company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBRIDGE BROADBAND NETWORKS LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion, Cambridge Broadband Networks Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company cash flow statements, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

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

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the group's and company's ability to continue as a going concern.

There are certain financial covenants attaching to the group's and company's terms loans. There is inherent uncertainty attached to the timing and quantum of future sales and receipts thereon due to the nature of the sector in which the group and company operate and the trading cycles of the customer base and therefore, whilst mitigating actions are available to the Directors to reduce the ongoing costs of the business there is a risk that additional funding may be required and / or that loan covenants may not be met. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## ***Auditors' responsibilities for the audit of the financial statements***

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
28 June 2018

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

|  | Note | 2017<br>\$          | 2016<br>\$          |
|--|------|---------------------|---------------------|
| Revenue  | 5    | 37,151,845          | 29,441,823          |
| Cost of sales  |      | (20,035,510)        | (13,903,262)        |
| <b>Gross profit</b>  |      | <b>17,116,335</b>   | <b>15,538,561</b>   |
| Research and development expenses                              | 7    | (4,121,453)         | (4,298,664)         |
| Other operating expenses, excluding depreciation, amortisation |      | (12,595,702)        | (12,598,141)        |
| Depreciation and amortisation                                  |      | (80,387)            | (102,231)           |
| <b>Total operating expenses</b>                                |      | <b>(16,797,542)</b> | <b>(16,999,036)</b> |
| Research and development expenses credit                       |      | 52,562              | 106,438             |
| <b>Operating profit/(loss)</b>                                 |      | <b>371,355</b>      | <b>(1,354,037)</b>  |
| Finance income   | 10   | 469,096             | 37,366              |
| Finance costs  | 11   | (2,702,498)         | (2,764,474)         |
| <b>Loss before tax</b>   |      | <b>(1,862,047)</b>  | <b>(4,081,145)</b>  |
| Tax  | 12   | 141,050             | 284,413             |
| <b>Loss for the year</b>                                       | 7    | <b>(1,720,997)</b>  | <b>(3,796,732)</b>  |

The results are all derived from continuing operations.

All of the loss for the year is attributable to the owners of the Group.

**CAMBRIDGE BROADBAND NETWORKS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

|   | 2017                      | 2016                      |
|---|---------------------------|---------------------------|
|   | \$                        | \$                        |
| <b>Loss for the year</b>  | <b>(1,720,997)</b>        | <b>(3,796,732)</b>        |
| <b>Items that may be reclassified subsequently to the profit and loss</b> |                           |                           |
| Exchange differences on translation of foreign operations                 | -                         | -                         |
| <b>Total other comprehensive income</b>                                   | <b>-</b>                  | <b>-</b>                  |
| <b>Total comprehensive expense for the year</b>                           | <b><u>(1,720,997)</u></b> | <b><u>(3,796,732)</u></b> |

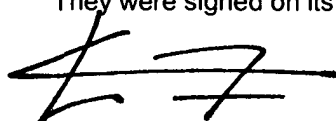
# CAMBRIDGE BROADBAND NETWORKS LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2017

|   | Note | 2017<br>\$                 | 2016<br>\$                 |
|---|------|----------------------------|----------------------------|
| <b>Non-current assets</b>                                 |      |                            |                            |
| Intangible assets   | 14   | -                          | -                          |
| Property, plant and equipment                             | 15   | 99,459                     | 132,442                    |
| Other receivables   | 18   | 66,420                     | 61,995                     |
|   |      | <u>165,879</u>             | <u>194,437</u>             |
| <b>Current assets</b>                                     |      |                            |                            |
| Inventories   | 17   | 2,615,563                  | 3,096,169                  |
| Trade and other receivables                               | 18   | 16,264,955                 | 14,003,039                 |
| Cash and cash equivalents                                 |      | 2,979,295                  | 1,591,960                  |
|   |      | <u>21,859,813</u>          | <u>18,691,168</u>          |
| <b>Total assets</b>                                       |      | <u><u>22,025,692</u></u>   | <u><u>18,885,605</u></u>   |
| <b>Current liabilities</b>                                |      |                            |                            |
| Trade and other payables                                  | 21   | (12,982,898)               | (14,890,971)               |
| Borrowings  | 19   | -                          | (10,676,515)               |
| Provisions  | 22   | (358,963)                  | (290,743)                  |
|   |      | <u>(13,341,861)</u>        | <u>(25,858,229)</u>        |
| <b>Net current assets/(liabilities)</b>                   |      | <u>8,517,952</u>           | <u>(7,167,061)</u>         |
| <b>Non-current liabilities</b>                            |      |                            |                            |
| Borrowings  | 19   | (17,212,110)               | -                          |
| Derivative financial instruments                          | 20   | (354,359)                  | (189,017)                  |
|   |      | <u>(17,566,469)</u>        | <u>(189,017)</u>           |
| <b>Total liabilities</b>                                  |      | <u><u>(30,908,330)</u></u> | <u><u>(26,047,246)</u></u> |
| <b>Net liabilities</b>                                    |      | <u><u>(8,882,638)</u></u>  | <u><u>(7,161,641)</u></u>  |
| <b>Equity</b>   |      |                            |                            |
| Share capital   | 23   | 100,632                    | 100,632                    |
| Share premium account                                     |      | 100,870,989                | 100,870,989                |
| Share capital redemption reserve                          |      | 98,327                     | 98,327                     |
| Exchange reserve  |      | (1,307,568)                | (1,307,568)                |
| Warrants reserve  |      | 3,288,832                  | 3,288,832                  |
| Accumulated losses  |      | (111,933,850)              | (110,212,853)              |
| <b>Total equity attributable to owners of the Company</b> |      | <u><u>(8,882,638)</u></u>  | <u><u>(7,161,641)</u></u>  |

The Financial Statements of Cambridge Broadband Networks Limited, registered number 3879840, on pages 14 to 59 were approved by the Board of Directors and authorised for issue on 27 June 2018.

They were signed on its behalf by:



L Chmilewsky  
Director

**CAMBRIDGE BROADBAND NETWORKS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2017**

|   | Share capital<br>\$ | Share<br>premium<br>account<br>\$ | Share capital<br>redemption<br>reserve<br>\$ | Exchange<br>reserve<br>\$ | Warrants<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>equity<br>\$ |
|---|---------------------|-----------------------------------|--|---------------------------|---------------------------|-----------------------------|-----------------------|
| <b>Balance at 1 January 2016</b>                                    | 59,139              | 93,850,488                        | 98,327                                       | (1,307,568)               | 2,238,140                 | (106,416,121)               | (11,477,595)          |
| Loss for the year   | -                   | -                                 | -  | -                         | -                         | (3,796,732)                 | (3,796,732)           |
| <b>Total comprehensive expense for the year</b>                     | -                   | -                                 | -  | -                         | -                         | (3,796,732)                 | (3,796,732)           |
| Issue of share capital (note 23)                                    | 41,493              | 7,020,501                         | -  | -                         | -                         | -                           | 7,061,994             |
| Recognition of equity component of convertible loan notes (note 20) | -                   | -                                 | -  | -                         | 1,050,692                 | -                           | 1,050,692             |
| <b>Balance at 31 December 2016</b>                                  | 100,632             | 100,870,989                       | 98,327                                       | (1,307,568)               | 3,288,832                 | (110,212,853)               | (7,161,641)           |
| Loss for the year   | -                   | -                                 | -  | -                         | -                         | (1,720,997)                 | (1,720,997)           |
| <b>Total comprehensive expense for the year</b>                     | -                   | -                                 | -  | -                         | -                         | (1,720,997)                 | (1,720,997)           |
| <b>Balance at 31 December 2017</b>                                  | 100,632             | 100,870,989                       | 98,327                                       | (1,307,568)               | 3,288,832                 | (111,933,850)               | (8,882,638)           |

**CAMBRIDGE BROADBAND NETWORKS LIMITED****CONSOLIDATED CASH FLOW STATEMENT  
For the year ended 31 December 2017**

|   | <b>Note</b> | <b>2017</b><br><b>\$</b> | <b>2016</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| <b>Net cash (used in)/generated from operating activities</b> | <b>24</b>   | <b>(3,378,999)</b>       | <b>5,010,783</b>         |
| <b>Investing activities</b>                                   |             |                          |                          |
| Interest received   |             | 599                      | 35                       |
| Purchases of property, plant and equipment                    | 15          | (51,053)                 | (3,557)                  |
| <b>Net cash used in investing activities</b>                  |             | <b>(50,454)</b>          | <b>(3,522)</b>           |
| <b>Financing activities</b>                                   |             |                          |                          |
| Repayments of borrowings                                      | 19          | (1,714,564)              | (6,969,685)              |
| New loans raised  | 19          | 8,100,000                | 4,040,420                |
| Interest paid   |             | (1,568,648)              | (2,020,163)              |
| <b>Net cash generated from/(used in) financing activities</b> |             | <b>4,816,788</b>         | <b>(4,949,428)</b>       |
| <b>Net increase in cash and cash equivalents</b>              |             | <b>1,387,335</b>         | <b>57,833</b>            |
| <b>Cash and cash equivalents at beginning of year</b>         |             | <b>1,591,960</b>         | <b>1,534,127</b>         |
| <b>Cash and cash equivalents at end of year</b>               |             | <b>2,979,295</b>         | <b>1,591,960</b>         |

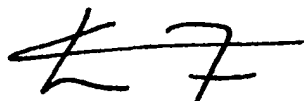
# CAMBRIDGE BROADBAND NETWORKS LIMITED

## COMPANY BALANCE SHEET As at 31 December 2017

|   | Note | 2017<br>\$          | 2016<br>\$          |
|---|------|---------------------|---------------------|
| <b>Non-current assets</b>   |      |                     |                     |
| Other intangible assets   | 14   | -                   | -                   |
| Property, plant and equipment                                       | 15   | 89,284              | 124,998             |
| Other receivables   | 18   | 66,420              | 61,995              |
| Investments   | 16   | 67,015              | 67,015              |
|   |      | <u>222,719</u>      | <u>254,008</u>      |
| <b>Current assets</b>   |      |                     |                     |
| Inventories   | 17   | 2,615,563           | 3,096,169           |
| Trade and other receivables   | 18   | 16,173,552          | 14,060,662          |
| Cash and cash equivalents   |      | 2,306,043           | 815,132             |
|   |      | <u>21,095,158</u>   | <u>17,971,963</u>   |
| <b>Total assets</b>   |      | <u>21,317,877</u>   | <u>18,225,971</u>   |
| <b>Current liabilities</b>  |      |                     |                     |
| Trade and other payables  | 21   | (11,157,345)        | (13,614,470)        |
| Borrowings  | 19   | -                   | (10,676,515)        |
| Provisions  | 22   | (358,963)           | (290,743)           |
|   |      | <u>(11,516,308)</u> | <u>(24,581,728)</u> |
| <b>Net current assets/(liabilities)</b>                             |      | <u>9,578,850</u>    | <u>(6,609,765)</u>  |
| <b>Non-current liabilities</b>                                      |      |                     |                     |
| Borrowings  | 19   | (17,212,110)        | -                   |
| Derivative financial instruments                                    | 20   | (354,359)           | (189,017)           |
|   |      | <u>(17,566,469)</u> | <u>(189,017)</u>    |
| <b>Total liabilities</b>  |      | <u>(29,082,777)</u> | <u>(24,770,745)</u> |
| <b>Net liabilities</b>  |      | <u>(7,764,900)</u>  | <u>(6,544,774)</u>  |
| <b>Equity</b>   |      |                     |                     |
| Share capital   | 23   | 100,632             | 100,632             |
| Share premium account   |      | 100,870,989         | 100,870,989         |
| Share capital redemption account                                    |      | 98,327              | 98,327              |
| Exchange reserve  |      | (210,475)           | (210,475)           |
| Warrants reserve  |      | 3,288,832           | 3,288,832           |
| Accumulated losses (loss for year \$1,220,126 (2016 - \$2,498,429)) |      | (111,913,205)       | (110,693,079)       |
| <b>Total equity attributable to owners of the Company</b>           |      | <u>(7,764,900)</u>  | <u>(6,544,774)</u>  |

The Financial Statements of Cambridge Broadband Networks Limited, registered number 3879840, on pages 14 to 59 were approved by the Board of Directors and authorised for issue on 27 June 2018.

They were signed on its behalf by:



L Chmiewsky

Director

**CAMBRIDGE BROADBAND NETWORKS LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

|   | Share capital<br>\$ | Share<br>premium<br>account<br>\$ | Share capital<br>redemption<br>reserve<br>\$ | Exchange<br>reserve<br>\$ | Warrants<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>equity<br>\$ |
|---|---------------------|-----------------------------------|--|---------------------------|---------------------------|-----------------------------|-----------------------|
| <b>Balance at 1 January 2016</b>                                    | 59,139              | 93,850,488                        | 98,327                                       | (210,475)                 | 2,238,140                 | (108,194,650)               | (12,159,031)          |
| Loss for the year   | -                   | -                                 | -  | -                         | -                         | (2,498,429)                 | (2,498,429)           |
| <b>Total comprehensive expense for the year</b>                     | -                   | -                                 | -  | -                         | -                         | (2,498,429)                 | (2,498,429)           |
| Issue of share capital (note 23)                                    | 41,493              | 7,020,501                         | -  | -                         | -                         | -                           | 7,061,994             |
| Recognition of equity component of convertible loan notes (note 20) | -                   | -                                 | -  | -                         | 1,050,692                 | -                           | 1,050,692             |
| <b>Balance at 31 December 2016</b>                                  | 100,632             | 100,870,989                       | 98,327                                       | (210,475)                 | 3,288,832                 | (110,693,079)               | (6,544,774)           |
| Loss for the year   | -                   | -                                 | -  | -                         | -                         | (1,220,126)                 | (1,220,126)           |
| <b>Total comprehensive expense for the year</b>                     | -                   | -                                 | -  | -                         | -                         | (1,220,126)                 | (1,220,126)           |
| <b>Balance at 31 December 2017</b>                                  | 100,632             | 100,870,989                       | 98,327                                       | (210,475)                 | 3,288,832                 | (111,913,205)               | (7,764,900)           |

**CAMBRIDGE BROADBAND NETWORKS LIMITED**

**COMPANY CASH FLOW STATEMENT**  
**For the year ended 31 December 2017**

|   | Note | 2017<br>\$              | 2016<br>\$            |
|---|------|-------------------------|-----------------------|
| <b>Net cash (used in)/generated from operating activities</b> | 24   | <u>(3,280,992)</u>      | <u>4,690,914</u>      |
| <b>Investing activities</b>                                   |      |                         |                       |
| Interest received   |      | 38                      | 31                    |
| Purchases of property, plant and equipment                    | 15   | <u>(45,006)</u>         | <u>(3,557)</u>        |
| <b>Net cash used in investing activities</b>                  |      | <u>(44,968)</u>         | <u>(3,526)</u>        |
| <b>Financing activities</b>                                   |      |                         |                       |
| Repayments of borrowings                                      | 19   | (1,714,564)             | (6,969,685)           |
| New loans raised  | 19   | 8,100,000               | 4,040,420             |
| Interest paid   |      | <u>(1,568,565)</u>      | <u>(2,020,163)</u>    |
| <b>Net cash generated from/(used in) financing activities</b> |      | <u>4,816,871</u>        | <u>(4,949,428)</u>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |      | 1,490,911               | (262,040)             |
| <b>Cash and cash equivalents at beginning of year</b>         |      | 815,132                 | 1,077,172             |
| <b>Cash and cash equivalents at end of year</b>               |      | <u><u>2,306,043</u></u> | <u><u>815,132</u></u> |

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. General information

Cambridge Broadband Networks Limited is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The company is limited by shares as detailed in note 23. The address of the registered office is given on page 2. The nature of the Group and Company's operations and its principal activities are set out in the business review on pages 7 to 9. Accounting policies as detailed below have been applied consistently, other than where new policies have been adopted.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 3.

The Group has taken the exemption available under section 408 Companies Act 2006 from presenting an income statement for the Company, Cambridge Broadband Networks Limited. The consolidated financial statements comprise the accounts of Cambridge Broadband Networks Limited, Cambridge Broadband Networks (Pty) Limited and Cambridge Broadband Networks (Nigeria) Limited up to 31 December 2017.

### 2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies adopted in these consolidated financial statements are consistent with those of the financial statements for the year ended 31 December 2017, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

#### (i) New standards, amendments and interpretations affecting amounts reported in the financial statements

There have been only minor improvements to existing International Financial Reporting Standards and interpretations that are effective for the first time for the financial year beginning on 1 January 2017 which have been adopted by the Group with no impact on its consolidated results or financial position as they impact certain presentational and disclosure matters.

- Annual improvements 2012. These amendments include changes from the 2010–12 cycle of the annual improvements project, that affect the following standards:
  - IFRS 2, 'Share-based payment'
  - IFRS 3, 'Business combinations'
  - IFRS 8, 'Operating segments'
  - IFRS 13, 'Fair value measurement'
  - IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
  - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets' and
  - IAS 39, 'Financial instruments – Recognition and measurement'
- Annual improvements 2014. These amendments impact the following standards:
  - IFRS 5, 'Non-current assets held for sale and discontinued operations', regarding methods of disposal
  - IFRS7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts
  - IAS 19, 'Employee benefits', regarding discount rates

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

#### (ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not adopted early

- IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for accounting periods beginning on or after 1 January 2018. The Group will apply the standard for the first time in its financial statements for the year ending 31 December 2018.

The new standard will replace existing accounting standards used to determine the measurement and timing of revenue recognition and requires an entity to align the recognition of revenue to the transfer of goods and services at an amount that then entity expects to be entitled to in exchange for those goods and services.

The directors are assessing the situation and believe that a prospective application will be taken. From the initial assessment performed, the area of material impact is expected to be with regard to the NRE revenue.

- IFRS 9 'Financial instruments'. This standard replaces the guidance in IAS 39 and is effective for accounting periods beginning on or after 1 January 2018. The Group will apply the standard for the first time in the financial statements for the year ending 31 December 2018. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group expects there to be an immaterial impact on the financial statements on adoption of IFRS 9.
- IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. It is effective for accounting periods beginning on or after 1 January 2019. The Group will apply the standard for the first time in its financial statements for the year ending 31 December 2019.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and lease of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Directors are assessing the impact of this.

- Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Annual improvements 2014 – 2016. These amendments impact 3 standards: IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- IFRIC 22, 'Foreign currency transactions and advance consideration'. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

#### Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Non-controlling interests in subsidiaries are not recorded as they are immaterial.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Where necessary, subsidiaries' accounting policies are amended to ensure consistency with the policies adopted by the Group.

The Company's investments in its subsidiaries are carried at cost less provision for any impairment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

# **CAMBRIDGE BROADBAND NETWORKS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

### **3. Significant accounting policies (continued)**

#### **Going concern**

The Group and Company were loss making during the year and expect to continue to invest in the growth of the business over the forecast period with no incremental funding required. The Company renewed its venture debt funding with Triplepoint Capital and secured an increase to its existing BMS finance credit facility on 19 December 2017. The new terms for both of these facilities were 4 and 2 years respectively and are therefore available for the entire twelve month period following the approval of the financial statements, although certain financial covenants need to be met on a quarterly basis.

The Directors have prepared a business plan and cash flow forecast for a twelve month period following the approval of the financial statements. The forecast contains certain assumptions about the level of future sales and the level of gross margins. These assumptions are the Directors' best estimate of the future development of the business.

The Directors recognise that there is inherent uncertainty attached to the timing and quantum of future sales and receipts thereon due to the nature of the sector in which the Group and Company operate and the trading cycles of the customer base and therefore, whilst mitigating actions are available to the Directors to reduce the ongoing costs of the business there is a risk that Group and Company may require additional funding and / or the loan covenants may not be met.

There is a material uncertainty related to the ability of the Group and Company to meet the requirements of the loan covenants and the ability to obtain additional funding which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern. In the event that the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including inventories, to their recoverable amount and providing for any further liabilities that might arise, as well as reclassifying non-current assets to current assets. However, the Directors believe there is a reasonable expectation that they can continue as a going concern for a period greater than twelve months from the date of approval of these financial statements.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax (VAT) and other sales-related taxes.

Revenue from the sale of goods is recognised when it is probable that economic benefits will flow to the Group and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

Revenue from the sale of services is recognised when the service has been performed and receipt of payment is reasonably certain. Revenue from longer-term service contracts is recognised on a straight line basis over the life of the contract.

Revenue from non-recurrent engineering is recognised on a percentage complete basis over the life of the project.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. It is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

# **CAMBRIDGE BROADBAND NETWORKS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2017**

### **3. Significant accounting policies (continued)**

#### **Leasing**

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### **Foreign currencies**

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars which is the Company's functional and presentation currency. Foreign currency adjustments arise on translating the overseas subsidiaries into the Group's presentation currency.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the period in which they arise.

##### **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii) all resulting exchange differences are recognised as a separate component of equity.

##### **Operating loss**

Operating loss is stated before finance income and finance costs.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are generally 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 tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

|                                   |           |
|-----------------------------------|-----------|
| Leasehold improvements            | 18 months |
| Computer and laboratory equipment | 1 year    |
| Furniture and fixtures            | 3 years   |
| Motor vehicles                    | 3 years   |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

#### Intangible assets

Intangible assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

|          |           |
|----------|-----------|
| Software | 1-3 years |
|----------|-----------|

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from the group's development shall be recognised if, and only if, all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

#### Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### *Financial Assets*

All financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transactions costs, then are subsequently measured at amortised cost using the effective interest method, less any impairment.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' (Fair Value through Profit or Loss) or 'other financial liabilities'.

#### ***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance costs' line item in the income statement. Fair value is determined in the manner described in note 29.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### ***Derivative financial instruments***

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### ***Provisions***

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 3. Significant accounting policies (continued)

#### *Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is determined using the Black Scholes option pricing model. The fair value excludes the effect of non market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For grants where options vest in instalments over the vesting period, each instalment is treated as a separate grant, which results in fair value of each instalment being spread across the vesting period of that instalment.

#### *Warrants*

The Company accounts for its warrants as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded at fair value as of the date of issuance and no further adjustments to their valuation are made. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded at their fair value on the date of issuance and will be revalued on each subsequent balance sheet date until such instruments are exercised or expire, with any changes in the fair value between reporting periods recorded as other income or expense. Management estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for future financings, expected volatility, expected life, yield, and risk-free interest rate.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **Provision for impairment of trade receivables**

The Group assesses the carrying value of trade receivables based on past losses, current trading patterns and anticipated future events. The provision for impairment of trade receivables is based upon past experience and management's assessment of likely outflow.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

#### Inventory valuation

Inventories are stated at the lower of cost and net realisable value. Provisions for excess or obsolete inventory are recorded based upon assumptions about future demand and market conditions. The level of inventory provisioning required is sensitive to changes in the forecast sales of particular products which is dependent on changes in conditions in the Group's markets. If changes in actual market conditions are less favourable than those projected, additional inventory provisions may be required; similarly if changes in actual market conditions are more favourable than predicted, the Group may be able to release a proportion of the inventory provision.

### 5. Revenue

An analysis of the Group's revenue is as follows:

|                       | 2017<br>\$        | 2016<br>\$        |
|-----------------------|-------------------|-------------------|
| Sales of goods        | 27,655,074        | 21,430,360        |
| Rendering of services | 9,496,771         | 8,011,463         |
|                       | <u>37,151,845</u> | <u>29,441,823</u> |

The Group's revenue from external customers by geographical location is detailed below:

|               | 2017<br>\$        | 2016<br>\$        |
|---------------|-------------------|-------------------|
| Africa        | 20,671,654        | 21,445,999        |
| Middle East   | 7,561,071         | 469,583           |
| Rest of world | 8,919,120         | 7,526,241         |
|               | <u>37,151,845</u> | <u>29,441,823</u> |

### 6. Reconciliation of operating loss to EBITDA

|                                   | 2017<br>\$       | 2016<br>\$       |
|-----------------------------------|------------------|------------------|
| Operating profit/(loss)           | 371,355          | (1,354,037)      |
| Add back:                         |                  |                  |
| Depreciation and amortisation     | 80,387           | 102,231          |
| Withholding tax and foreign taxes | 33,655           | 40,724           |
| Foreign exchange losses           | 701,850          | 681,953          |
| EBITDA (for KPI purposes)         | <u>1,187,247</u> | <u>(529,129)</u> |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 7. Loss for the year

|   | 2017<br>\$                  | 2016<br>\$                  |
|---|-----------------------------|-----------------------------|
| Loss for the year has been arrived at after (crediting)/charging: |                             |                             |
| Net foreign exchange losses                                       | 701,850                     | 788,396                     |
| Research and development costs                                    | 4,121,453                   | 4,298,664                   |
| Depreciation of property, plant and equipment                     | 80,387                      | 92,950                      |
| Amortisation of other intangible assets                           | -                           | 9,282                       |
| Cost of inventories recognised as an expense                      | 12,770,752                  | 7,673,445                   |
| Write downs of inventories recognised as an expense               | (148,721)                   | 246,666                     |
| Impairment loss recognised on trade receivables                   | 121,308                     | 261,114                     |
|   | <u>                    </u> | <u>                    </u> |

#### 8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

|   | 2017<br>\$                  | 2016<br>\$                  |
|---|-----------------------------|-----------------------------|
| <b>Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements</b> | <u>65,800</u>               | <u>88,252</u>               |
| <b>Fees payable to the Company's auditors for other services</b>  |                             |                             |
| - Tax services  | 9,300                       | 11,400                      |
| - Other services  | -                           | 10,965                      |
|   | <u>                    </u> | <u>                    </u> |
| <b>Total non-audit fees</b>   | <u>9,300</u>                | <u>22,365</u>               |

#### 9. Staff costs

The average monthly number of employees (including Executive Directors) was:

|                     | Group                       |                             | Company                     |                             |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                     | 2017<br>No.                 | 2016<br>No.                 | 2017<br>No.                 | 2016<br>No.                 |
| Development         | 32                          | 30                          | 32                          | 30                          |
| Sales and marketing | 27                          | 27                          | 18                          | 18                          |
| Administration      | 23                          | 23                          | 20                          | 20                          |
|                     | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
|                     | 82                          | 80                          | 70                          | 68                          |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 9. Staff costs (continued)

Their aggregate remuneration comprised:

|                       | Group<br>2017<br>\$ | Group<br>2016<br>\$ | Company<br>2017<br>\$ | Company<br>2016<br>\$ |
|-----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Wages and salaries    | 7,096,891           | 6,976,653           | 6,584,591             | 6,589,233             |
| Social security costs | 696,474             | 619,818             | 687,925               | 611,257               |
| Other pension costs   | 420,745             | 535,616             | 392,404               | 512,614               |
|                       | <u>8,214,110</u>    | <u>8,132,087</u>    | <u>7,664,920</u>      | <u>7,713,104</u>      |

|   | Group and company |                |
|---|-------------------|----------------|
|   | 2017<br>\$        | 2016<br>\$     |
| <b>Directors' remuneration</b>                          |                   |                |
| Emoluments  | 801,314           | 534,722        |
| Company contributions to money purchase pension schemes | 11,045            | 78,265         |
|   | <u>812,359</u>    | <u>612,987</u> |

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes.

#### *Highest paid Director*

The above amounts for remuneration include the following in respect of the highest paid Director

|   | Group and Company |                |
|---|-------------------|----------------|
|   | 2017<br>\$        | 2016<br>\$     |
| Emoluments  | 526,572           | 301,922        |
| Company contributions to money purchase pension schemes | -                 | 66,774         |
|   | <u>526,572</u>    | <u>368,696</u> |

None of the Directors exercised any share options in the year (2016 - none).

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 9. Staff costs (continued)

The number of Directors who were members of pension schemes was as follows:

|                                | Group and Company |          |
|--------------------------------|-------------------|----------|
|                                | 2017              | 2016     |
|                                | No                | No       |
| Money purchase pension schemes | <u>1</u>          | <u>1</u> |

### 10. Finance income

|   | 2017           | 2016          |
|---|----------------|---------------|
|   | \$             | \$            |
| Bank interest receivable  | 599            | 35            |
| Loss arising on reassessment of amortisation Shareholders' loan | 468,497        | -             |
| Gains on foreign currency transactions                          | -              | 4,624         |
| Fair value movement in derivative liability                     | -              | 32,707        |
| Total finance income  | <u>469,096</u> | <u>37,366</u> |

### 11. Finance costs

|   | 2017             | 2016             |
|---|------------------|------------------|
|   | \$               | \$               |
| Interest on venture debt                    | 1,231,156        | 1,151,013        |
| Interest on credit facility                 | 577,366          | 664,725          |
| Interest on shareholders' loan              | 395,294          | 948,736          |
| Fair value movement in derivative liability | 165,342          | -                |
| Other                                       | 333,340          | -                |
| Total finance costs                         | <u>2,702,498</u> | <u>2,764,474</u> |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 12. Tax

|                                       | 2017             | 2016             |
|---------------------------------------|------------------|------------------|
|                                       | \$               | \$               |
| Corporation tax:                      |                  |                  |
| Current year                          | (654,997)        | (741,568)        |
| Adjustments in respect of prior years | 175,770          | 74,767           |
| Foreign tax                           | 338,176          | 382,388          |
|                                       | <u>(141,050)</u> | <u>(284,413)</u> |

Corporation tax is calculated at 19.25% (2016: 20%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the loss per the income statement as follows:

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | \$               | \$               |
| Loss before tax on continuing operations                         | (1,862,047)      | (4,081,145)      |
| Tax at the blended UK corporation tax rate of 19.25% (2016: 20%) | (358,444)        | (816,229)        |
| Effects of:  |                  |                  |
| Expenses that are not deductible in determining taxable profit   | 9,107            | 13,765           |
| Effect of overseas tax rates                                     | 303,116          | 305,910          |
| Income not taxable   | (14,092)         | (6,541)          |
| R&D uplift   | (643,144)        | (592,570)        |
| Deferred tax not recognised                                      | 168,755          | 450,948          |
| Surrender of tax losses for R&D tax credit                       | 882,997          | 1,048,393        |
| R&D tax credit   | (665,115)        | (760,085)        |
| Prior year RDEC adjustment                                       | -                | (2,771)          |
| Adjustment in respect of previous years                          | 175,770          | 74,767           |
| Total tax credit for the year                                    | <u>(141,050)</u> | <u>(284,413)</u> |

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

#### 13. Loss attributable to the Company

As permitted by section 408 of the Companies Act 2006 no separate income statement or statement of comprehensive income is present in respect of the company. The loss attributable to the company is disclosed in the company's balance sheet.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 14. Intangible assets

|  | <b>Software</b><br><b>\$</b> |
|--|------------------------------|
| <b>Group</b>   |                              |
| <b>Cost</b>  |                              |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 1,367,697                    |
| <b>Accumulated amortisation</b>                          |                              |
| At 1 January 2016  | 1,358,415                    |
| Charge for the year                                      | 9,282                        |
| At 31 December 2016                                      | 1,367,697                    |
| Charge for the year                                      | -                            |
| At 31 December 2017                                      | 1,367,697                    |
| <b>Carrying amount</b>                                   |                              |
| At 31 December 2017                                      | -                            |
| At 31 December 2016                                      | -                            |
| At 1 January 2016  | 9,282                        |
|  | <b>Software</b><br><b>\$</b> |
| <b>Company</b>   |                              |
| <b>Cost</b>  |                              |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 1,312,004                    |
| <b>Accumulated amortisation</b>                          |                              |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 1,312,004                    |
| <b>Carrying amount</b>                                   |                              |
| At 31 December 2017                                      | -                            |
| At 31 December 2016                                      | -                            |
| At 1 January 2016  | -                            |

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 15. Property, plant and equipment

|  | Leasehold<br>improvements<br>\$ | Computer<br>and<br>laboratory<br>equipment<br>\$ | Furniture<br>and<br>fixtures<br>\$ | Assets<br>under<br>construction<br>\$ | Motor<br>vehicles<br>\$ | Total<br>\$ |
|--|---------------------------------|--|------------------------------------|---------------------------------------|-------------------------|-------------|
| <b>Group Cost</b>                      |                                 |  |                                    |                                       |                         |             |
| At 1 January 2016                      | 368,368                         | 4,172,347  | 370,636                            | 189,314                               | 19,896                  | 5,120,561   |
| Additions                              | -                               | 3,557  | -                                  | -                                     | -                       | 3,557       |
| Transfer from asset under construction | -                               | 185,058  | -                                  | (185,058)                             | -                       | -           |
| Disposals                              | -                               | -  | -                                  | (4,256)                               | -                       | (4,256)     |
| At 31 December 2016                    | 368,368                         | 4,360,962  | 370,636                            | -                                     | 19,896                  | 5,119,862   |
| Additions                              | -                               | 46,565   | 4,488                              | -                                     | -                       | 51,053      |
| Disposals                              | -                               | (3,649)  | -                                  | -                                     | -                       | (3,649)     |
| At 31 December 2017                    | 368,368                         | 4,403,878  | 375,124                            | -                                     | 19,896                  | 5,167,266   |
| <b>Accumulated depreciation</b>        |                                 |  |                                    |                                       |                         |             |
| At 1 January 2016                      | 368,368                         | 4,133,902  | 367,054                            | 5,250                                 | 19,896                  | 4,894,470   |
| Charge for the year                    | -                               | 37,176   | 965                                | 54,809                                | -                       | 92,950      |
| Transfer from asset under construction | -                               | 60,059   | -                                  | (60,059)                              | -                       | -           |
| Disposals                              | -                               | -  | -                                  | -                                     | -                       | -           |
| At 31 December 2016                    | 368,368                         | 4,231,137  | 368,019                            | -                                     | 19,896                  | 4,987,420   |
| Charge for the year                    | -                               | 77,633   | 2,754                              | -                                     | -                       | 80,387      |
| Disposals                              | -                               | -  | -                                  | -                                     | -                       | -           |
| At 31 December 2017                    | 368,368                         | 4,308,770  | 370,773                            | -                                     | 19,896                  | 5,067,807   |
| <b>Carrying amount</b>                 |                                 |  |                                    |                                       |                         |             |
| At 31 December 2017                    | -                               | 95,108   | 4,351                              | -                                     | -                       | 99,459      |
| At 31 December 2016                    | -                               | 129,825  | 2,617                              | -                                     | -                       | 132,442     |
| At 1 January 2016                      | -                               | 38,445   | 3,582                              | 184,064                               | -                       | 226,091     |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 15. Property, plant and equipment (continued)

|   | Leasehold<br>improvements<br>\$ | Computer<br>and<br>laboratory<br>equipment<br>\$ | Furniture<br>and<br>fixtures<br>\$ | Assets<br>under<br>construction<br>\$ | Motor<br>vehicles<br>\$ | Total<br>\$ |
|---|---------------------------------|--|------------------------------------|---------------------------------------|-------------------------|-------------|
| <b>Company</b>                            |                                 |  |                                    |                                       |                         |             |
| <b>Cost</b>                               |                                 |  |                                    |                                       |                         |             |
| At 1 January 2016                         | 338,034                         | 4,080,039  | 307,306                            | 189,314                               | 19,896                  | 4,934,589   |
| Additions                                 | -                               | 3,557  | -                                  | -                                     | -                       | 3,557       |
| Transfer from asset<br>under construction | -                               | 185,058  | -                                  | (185,058)                             | -                       | -           |
| Disposals                                 | -                               | -  | -                                  | (4,256)                               | -                       | (4,256)     |
| At 31 December 2016                       | 338,034                         | 4,268,654  | 307,306                            | -                                     | 19,896                  | 4,933,890   |
| Additions                                 | -                               | 45,006   | -                                  | -                                     | -                       | 45,006      |
| Disposals                                 | -                               | (3,649)  | -                                  | -                                     | -                       | (3,649)     |
| At 31 December 2017                       | 338,034                         | 4,310,011  | 307,306                            | -                                     | 19,896                  | 4,975,247   |
| <b>Accumulated<br/>depreciation</b>       |                                 |  |                                    |                                       |                         |             |
| At 1 January 2016                         | 338,034                         | 4,046,421  | 306,855                            | 5,250                                 | 19,896                  | 4,716,456   |
| Charge for the year                       | -                               | 37,175   | 451                                | 54,810                                | -                       | 92,436      |
| Transfer from asset<br>under construction | -                               | 60,060   | -                                  | (60,060)                              | -                       | -           |
| Disposals                                 | -                               | -  | -                                  | -                                     | -                       | -           |
| At 31 December 2016                       | 338,034                         | 4,143,656  | 307,306                            | -                                     | 19,896                  | 4,808,892   |
| Charge for the year                       | -                               | 77,071   | -                                  | -                                     | -                       | 77,071      |
| Disposals                                 | -                               | -  | -                                  | -                                     | -                       | -           |
| At 31 December 2017                       | 338,034                         | 4,220,727  | 307,306                            | -                                     | 19,896                  | 4,885,963   |
| <b>Carrying amount</b>                    |                                 |  |                                    |                                       |                         |             |
| At 31 December 2017                       | -                               | 89,284   | -                                  | -                                     | -                       | 89,284      |
| At 31 December 2016                       | -                               | 124,998  | -                                  | -                                     | -                       | 124,998     |
| At 1 January 2016                         | -                               | 33,618   | 451                                | 184,064                               | -                       | 218,133     |

The Group and Company has a floating charge over its assets to secure a venture capital loan to TriplePoint Capital (TPL), and has executed a Deed of Charge and a floating charge to BMS, together with a Deed of Charge to Barclays Bank plc over a specified bank account to cover various bonds which the Company may enter into for the purposes of VAT and or customer requirements. Finally the Company has a rent deposit deed with its landlords, the Crown Estate. All of these are registered at Companies House.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 16. Fixed asset investments

The Group has no fixed asset investments.

The Company has investments in subsidiaries only, all of which are stated at cost.

|  |   |  |                                    | Subsidiaries                      |  |
|--|---|--|------------------------------------|-----------------------------------|--|
|  |   |  |                                    | \$                                |  |
| At 1 January 2016, 31 December 2016 and 31 December 2017 |   |  |                                    | 67,015                            |  |
| Name   | Registered office   | Place of incorporation (or registration) and operation | Proportion of ownership interest % | Proportion of voting power held % |  |
| Vectastar Limited (dormant company)                      | Byron House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ                                   | Cambridge, United Kingdom                              | 100                                | 100                               |  |
| Cambridge Broadband Networks (Pty) Limited               | Ground Floor, Suite No. 3A, Building B, Monte Circle 64, Montecasino Boulevard, Fourways, Johannesburg  | South Africa   | 100                                | 100                               |  |
| Cambridge Broadband Networks (Nigeria) Limited           | 1 Awolowo Road, Ikoyi, Lagos, Nigeria   | Nigeria  | 99                                 | 99                                |  |
| Cambridge Broadband Networks Kenya Limited               | 5 <sup>th</sup> Avenue Office Suites, 4 <sup>th</sup> Floor, 5 <sup>th</sup> Ngong Road, Nairobi, Kenya | Kenya  | 99.9                               | 99.9                              |  |

All subsidiaries are directly or indirectly 100 per cent owned by the Company. The non-controlling interest in Cambridge Broadband Networks (Nigeria) Limited and Cambridge Broadband Networks Kenya Limited is Vectastar Limited. The principal activities of the subsidiaries are the sale, support and training in relation of the Company's products.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 17. Inventories

|                | Group and Company |                  |
|----------------|-------------------|------------------|
|                | 2017              | 2016             |
|                | \$                | \$               |
| Raw materials  | 606,170           | 289,130          |
| Finished goods | 2,009,393         | 2,807,039        |
|                | <u>2,615,563</u>  | <u>3,096,169</u> |

The replacement cost of the Group and Company's stocks at 31 December 2017 is approximately \$2,431,704 (2016 - \$3,096,169).

#### 18. Trade and other receivables

##### Current assets - Trade and other receivables

|                                     | Group             |                   | Company           |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2017              | 2016              | 2017              | 2016              |
|                                     | \$                | \$                | \$                | \$                |
| Trade receivables                   | 14,058,892        | 10,480,562        | 13,264,613        | 10,089,185        |
| Less: Allowance for doubtful debts  | (226,770)         | (278,689)         | (226,770)         | (177,717)         |
| Trade receivables net               | <u>13,832,122</u> | <u>10,201,873</u> | <u>13,037,843</u> | <u>9,911,468</u>  |
| Amounts due from Group companies    | -                 | -                 | 1,404,117         | 1,424,918         |
| Other receivables                   | 13,124            | 148,808           | 143,910           | 294,983           |
| Prepayments and accrued income      | 1,712,150         | 1,822,649         | 880,123           | 599,584           |
| Research and development tax credit | 707,559           | 1,829,709         | 707,559           | 1,829,709         |
|                                     | <u>16,264,955</u> | <u>14,003,039</u> | <u>16,173,552</u> | <u>14,060,662</u> |

##### Non-current assets – Other receivables

|                   | Group         |               | Company       |               |
|-------------------|---------------|---------------|---------------|---------------|
|                   | 2017          | 2016          | 2017          | 2016          |
|                   | \$            | \$            | \$            | \$            |
| Other receivables | <u>66,420</u> | <u>61,995</u> | <u>66,420</u> | <u>61,995</u> |

##### Trade receivables

The average credit period taken on sales of goods is 136 days (2016: 122 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 18. Trade and other receivables (continued)

##### Ageing of sales invoices due but not impaired receivables

|             | Group             |                  | Company           |                  |
|-------------|-------------------|------------------|-------------------|------------------|
|             | 2017              | 2016             | 2017              | 2016             |
|             | \$                | \$               | \$                | \$               |
| 30-60 days  | 3,017,888         | 769,566          | 2,311,330         | 769,566          |
| 60-90 days  | 1,054,168         | 794,542          | 995,235           | 794,542          |
| 90-120 days | 4,052,183         | 566,483          | 4,052,183         | 566,483          |
| 120 days +  | 3,876,075         | 2,678,877        | 3,869,082         | 2,618,537        |
| Total       | <u>12,000,313</u> | <u>4,809,468</u> | <u>11,227,830</u> | <u>4,749,128</u> |

##### Ageing of impaired receivables

|            | Group          |                | Company        |                |
|------------|----------------|----------------|----------------|----------------|
|            | 2017           | 2016           | 2017           | 2016           |
|            | \$             | \$             | \$             | \$             |
| 120 days + | <u>226,770</u> | <u>278,689</u> | <u>226,770</u> | <u>177,717</u> |

##### Movement in the allowance for doubtful debts

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017             | 2016             | 2017             | 2016             |
|  | \$               | \$               | \$               | \$               |
| Balance at the beginning of the year                 | (278,689)        | (144,199)        | (177,717)        | (67,579)         |
| Impairment losses recognised                         | (195,870)        | (283,930)        | (195,870)        | (259,578)        |
| Amounts written off during the year as uncollectible | 173,227          | 133,164          | 72,255           | 133,164          |
| Impairment losses reversed                           | 74,562           | 16,276           | 74,562           | 16,276           |
| Balance at the end of the year                       | <u>(226,770)</u> | <u>(278,689)</u> | <u>(226,770)</u> | <u>(177,717)</u> |

##### Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The nature of the Group business is such that, on occasion, sales performance will lead to concentration of credit risk in a particular customer or customers. The Group's largest customer accounts for \$3,329,394 of the trade receivables year-end balance (2016: \$2,339,116). This customer balance was paid in full subsequent to the year end.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 18. Trade and other receivables (continued)

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2017       | 2016       | 2017       | 2016       |
|   | \$         | \$         | \$         | \$         |
| Cash and cash equivalents                         | 2,979,295  | 1,591,960  | 2,306,043  | 815,132    |
| Trade and other receivables excluding prepayments | 15,927,131 | 13,619,665 | 15,899,322 | 13,767,184 |

The maximum exposure to credit risk for total trade receivables at the reporting date by geographic region was:

|               | Group     |           | Company   |           |
|---------------|-----------|-----------|-----------|-----------|
|               | 2017      | 2016      | 2017      | 2016      |
|               | \$        | \$        | \$        | \$        |
| Africa        | 6,735,799 | 4,992,796 | 5,941,520 | 4,702,391 |
| Middle East   | 5,181,628 | 3,035,108 | 5,181,628 | 3,035,108 |
| Rest of World | 1,914,695 | 2,173,969 | 1,914,695 | 2,173,969 |

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 19. Borrowings

#### Group and Company

|  | 2017<br>\$        | 2016<br>\$        |
|--|-------------------|-------------------|
| <b>Secured borrowing at amortised cost</b> |                   |                   |
| Venture debt funding                       | 5,873,952         | 5,650,590         |
| Credit facility                            | 8,100,000         | 1,714,564         |
| Shareholders' loan                         | 3,238,158         | 3,311,361         |
|  | <u>17,212,110</u> | <u>10,676,515</u> |
| <b>Total borrowings</b>                    |                   |                   |
| Amount due for settlement within 12 months | <u>-</u>          | <u>10,676,515</u> |
| Amount due for settlement after 12 months  | <u>17,212,110</u> | <u>-</u>          |

#### Group and Company

|                                     | 2017<br>\$        | 2016<br>\$        |
|-------------------------------------|-------------------|-------------------|
| Analysis of borrowings by currency: |                   |                   |
| US dollars                          | 9,112,110         | 8,961,951         |
| GB pounds                           | 8,100,000         | 1,714,564         |
|                                     | <u>17,212,110</u> | <u>10,676,515</u> |

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 19. Borrowings (continued)

The other principal features of the Group's borrowings are as follows.

- (i) The Group has the following current working capital facility.

**TriplePoint Capital:** A loan of \$6m was taken out on 3 September 2014. Repayments have been suspended with an interest only option taken for the remainder of the loan. The loan is secured by a charge over certain of the Group's assets. The loan carries an interest rate at 14.5 per cent. Warrants over AA preferred shares were issued in 2014 and are accounted for at fair value through the profit and loss. As at 31st December 2017 their fair value was assessed as nil (2016: nil). Upon the renewal of this loan in December 2014, loan fees of \$0.2m were payable. The balance of this loan at the year end was \$5.9m (2016: \$5.7m).

**BMS Finance:** On 23 December 2016, a new loan agreement was signed with a credit facility of \$5m. This was a line of credit secured on the Group's book debts. The interest rate on the loan was 13% per annum and the loan was secured by a debenture over certain of the Group's assets. On 19 December 2017 this loan was renewed as a debt financing loan with an increased facility of £6m for 2 years. The interest rate remains at 13% and the loan is secured by a debenture over certain of the Group's assets'. At year end, there was an outstanding liability of \$8.1m (2016: \$1.7m). Warrants were also issued for AA preferred shares and/or BB preferred shares representing 4% of the fully diluted share capital with an exercise period of 20 years after commencement date. A liability of \$354,359 was recognised at the end of the year in respect of these warrants, as disclosed in note 20.

There is an inter-creditor agreement, which regulates priorities between the two lenders.

**Shareholders' loan:** In January and February 2016, the shareholders loaned \$2.1m and \$0.2m respectively to the company by way of unsecured convertible loan notes. On 29 June 2016, 90% of the loan notes prior to December 2015 were converted into BB preferred shares leaving an unconverted balance of \$0.8m. There have been no further loan notes issued during 2017. The total amounts loaned as at 31 December 2017 was \$3.1m (2016: \$3.1m). These notes carry a fixed interest rate of 8 per cent and are automatically converted into fully paid senior shares at the conversion price on the next qualified financing. In addition the holders of the loan notes have the right to convert to equity at a 25% discount to the last financing round. The embedded derivative associated with this conversion options is accounted for at fair value through the profit and loss. At 31st December 2017 the fair value was assess as nil (2016: nil).

The weighted average interest rates paid during the year were as follows:

|                    | 2017  | 2016  | 2015  |
|--------------------|-------|-------|-------|
| Group and Company  | %     | %     | %     |
| Debt funding       | 14.50 | 13.00 | 13.00 |
| Credit facility    | 13.00 | 13.50 | 7.50  |
| Shareholders' loan | 8.00  | 8.00  | 8.00  |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 20. Derivative financial instruments

|   | Non current |           |
|---|-------------|-----------|
|   | 2017        | 2016      |
| <b>Group and company</b>  |             |           |
| <b>Financial liabilities carried at fair value through profit or loss (FVTPL)</b> | <b>\$</b>   | <b>\$</b> |
|   | 354,359     | 189,017   |

There was a liability of \$189,017 in 2016 in relation to existing warrants from prior years issued to PFG/SVB. These warrants had a five year life from the date of issue and expired in November 2017, therefore the liability was subsequently released.

Warrants were issued to BMS in December 2017 for AA preferred shares and/or BB preferred shares representing 4% of the fully diluted share capital with an exercise period of 20 years after commencement date. Using the Black Scholes option pricing model, the fair value of these warrants was deemed to be \$354,359. The other derivative financial instrument set out in note 19 has a fair value of nil.

Further details of derivative financial instruments are provided in note 29.

#### 21. Trade and other payables

##### Trade and other payables

|                              | Group             |                   | Company           |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | 2017              | 2016              | 2017              | 2016              |
|                              | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         |
| Trade payables               | 6,888,531         | 9,545,644         | 6,537,435         | 9,475,722         |
| Accruals and deferred income | 4,985,345         | 4,867,059         | 4,019,080         | 3,669,284         |
| Other payables               | 1,109,022         | 478,268           | 600,830           | 469,464           |
|                              | <u>12,982,898</u> | <u>14,890,971</u> | <u>11,157,345</u> | <u>13,614,470</u> |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 125 days (2016: 253). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 22. Provisions

|                          | 2017           | 2016           |
|--------------------------|----------------|----------------|
|                          | \$             | \$             |
| <b>Group and Company</b> |                |                |
| Warranty provision       | 257,533        | 189,313        |
| Other                    | 101,430        | 101,430        |
|                          | <u>358,963</u> | <u>290,743</u> |
| Current                  | 358,963        | 290,743        |
| Non-current              | -              | -              |
|                          | <u>358,963</u> | <u>290,743</u> |

|                             | Warranty<br>provision | Other<br>provisions |
|-----------------------------|-----------------------|---------------------|
|                             | \$                    | \$                  |
| At 1 January 2016           | 360,658               | 101,430             |
| Increase in provision       | 217,817               | -                   |
| Utilisation of provision    | (217,894)             | -                   |
| Release of unused provision | (171,268)             | -                   |
|                             | <u>189,313</u>        | <u>101,430</u>      |
| At 31 December 2016         | 189,313               | 101,430             |
| Increase in provision       | 236,963               | -                   |
| Utilisation of provision    | (168,743)             | -                   |
|                             | <u>257,533</u>        | <u>101,430</u>      |
| At 31 December 2017         | 257,533               | 101,430             |

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted based on past experience and industry averages for defective products.

The other provision is in respect of an IR35 contractors potential income tax liability.

#### 23. Share capital

|   | 2017           | 2016           |
|---|----------------|----------------|
|   | \$             | \$             |
| Issued and fully paid:                        |                |                |
| 279,609 ordinary shares of 0.01p each         | 4,102          | 4,102          |
| 3,622,347 'AA' preferred shares of 0.01p each | 55,037         | 55,037         |
| 2,880,503 'BB' preferred shares of 0.01p each | 41,493         | 41,493         |
|   | <u>100,632</u> | <u>100,632</u> |

Authorised share capital and issued share capital for ordinary, 'AA' preferred and 'BB' preferred shares are the same. AA Ordinary shares are authorised but not yet issued.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 23. Share capital (continued)

|                     | Ordinary<br>shares<br>No | 'AA'<br>pref.<br>shares<br>No | 'BB'<br>pref.<br>shares<br>No |
|---------------------|--------------------------|-------------------------------|-------------------------------|
| At 1 January 2017   | 279,609                  | 3,622,347                     | 2,880,503                     |
| Issued in year      | -                        | -                             | -                             |
| At 31 December 2017 | <u>279,609</u>           | <u>3,622,347</u>              | <u>2,880,503</u>              |

#### Rights of shares

The following rights attached to shares in issue from 29 June 2016.

On a return of capital on liquidation or otherwise the surplus assets of the Company remaining after payment of its liabilities (which shall, for the avoidance of doubt, include all sums due and payable in respect of the Loan Notes pursuant to the terms of the Loan Note Instruments (including any unpaid interest thereon)) shall be applied in the following order and priority (and shall, in the case of any payment to Ordinary Shareholders, include accrued but unpaid dividends):

- first, in paying to the BB Preferred Shareholders and the AA Ordinary Shareholders such amount of the surplus assets in the following manner, until each of the BB Preferred Shareholders has received a sum equal to the BB Preference Amount per BB Preferred Share held by him:
  - 17% shall be paid to the AA Ordinary Shareholders, pro rata according to the number of the AA Ordinary Shares held by them; and
  - 83% shall be paid to the BB Preferred Shareholders, pro rata according to the number of the BB Preferred Shares held by them,

provided that if there are insufficient surplus assets available for allocation such that each of the BB Preferred Shareholders receives a sum equal to the BB Preference Amount per BB Preferred Share held by him, the actual amount available shall be allocated; and
- second, in paying to the AA Preferred Shareholders and the AA Ordinary Shareholders the remaining surplus assets in the following manner, until each of the AA Preferred Shareholders has received a sum equal to the AA Preference Amount per AA Preferred Share held by him :
  - 17% shall be paid to the AA Ordinary Shareholders, pro rata according to the number of the AA Ordinary Shares held by them; and
  - 83% shall be paid to the AA Preferred Shareholders, pro rata according to the number of the AA Preferred Shares held by them,

provided that if there are insufficient surplus assets available for allocation such that each AA Preferred Shareholder receives a sum equal to the AA Preference Amount per AA Preferred Share held by him, the actual amount available shall be allocated; and
- once the payments have been made, the balance (if any) shall be distributed amongst the holders of the Ordinary Shares, AA Ordinary Shares, AA Preferred Shares and BB Preferred Shares (pari passu as if they were one class of share) pro rata according to the number of the Shares held by them respectively which shall, in the case of the AA Preferred Shares and BB Preferred Shares, be calculated as if the Shares had been converted to Ordinary Shares immediately prior to such distribution.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 24. Notes to the cash flow statement

|  | 2017<br>\$                | 2016<br>\$              |
|--|---------------------------|-------------------------|
| <b>Group</b>   |                           |                         |
| Loss before tax  | (1,862,047)               | (4,081,145)             |
| <b>Adjustments for:</b>  |                           |                         |
| Finance costs  | 2,702,498                 | 2,764,474               |
| Finance income   | (469,096)                 | (32,738)                |
| Depreciation of property, plant and equipment                  | 80,387                    | 92,950                  |
| Amortisation of other intangible assets                        | -                         | 9,282                   |
| Research and Development expenditure credit                    | (52,562)                  | (106,438)               |
| Loss on disposal of fixed assets                               | 3,649                     | 4,256                   |
| <b>Operating cash flows before movement in working capital</b> | <u>402,829</u>            | <u>(1,349,359)</u>      |
| Increase/(decrease) in provisions                              | 68,220                    | (171,345)               |
| Decrease/(increase) in inventories                             | 480,606                   | (220,101)               |
| (Increase)/decrease in receivables                             | (3,431,024)               | 9,455,543               |
| Decrease in payables   | (2,174,668)               | (2,278,043)             |
| <b>Cash (used in)/generated from operations</b>                | <u>(4,654,037)</u>        | <u>5,436,695</u>        |
| Research and development tax credit receipt                    | 1,613,214                 | -                       |
| Withholding tax  | (338,176)                 | (425,912)               |
| <b>Net cash (used in)/generated from operating activities</b>  | <u><u>(3,378,999)</u></u> | <u><u>5,010,783</u></u> |

### Reconciliation of financing liabilities

|                      | 1 January<br>2017 | Cash<br>flows    | Non-cash<br>flows | 31<br>December<br>2017 |
|----------------------|-------------------|------------------|-------------------|------------------------|
| <b>Borrowings</b>    |                   |                  |                   |                        |
| Venture debt funding | 5,650,590         | (982,134)        | 1,205,496         | 5,873,952              |
| Credit facility      | 1,714,564         | 5,798,922        | 586,514           | 8,100,000              |
| Shareholders' loan   | 3,311,361         | -                | (73,203)          | 3,238,158              |
|                      | <u>10,676,515</u> | <u>4,816,788</u> | <u>1,718,807</u>  | <u>17,212,110</u>      |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 24. Notes to the cash flow statement (continued)

|  | 2017<br>\$                | 2016<br>\$              |
|--|---------------------------|-------------------------|
| <b>Company</b>   |                           |                         |
| Loss before tax  | (1,517,212)               | (3,027,989)             |
| <b>Adjustments for:</b>  |                           |                         |
| Finance costs  | 2,702,415                 | 2,764,474               |
| Finance income   | (468,535)                 | (32,738)                |
| Depreciation of property, plant and equipment                  | 77,071                    | 92,436                  |
| Research and Development expenditure credit                    | (52,562)                  | (106,438)               |
| Loss on disposal of fixed assets                               | 3,649                     | 4,256                   |
| <b>Operating cash flows before movement in working capital</b> | <u>744,826</u>            | <u>(305,999)</u>        |
| Increase/(decrease) in provisions                              | 68,220                    | (171,345)               |
| Decrease/(increase) in inventories                             | 480,606                   | (220,101)               |
| (Increase)/decrease in receivables                             | (3,282,011)               | 7,829,306               |
| Decrease in payables   | (2,723,719)               | (2,279,756)             |
| <b>Cash (used in)/generated from operations</b>                | <u>(4,712,078)</u>        | <u>4,852,105</u>        |
| Research and development tax credit receipt                    | 1,613,214                 | -                       |
| Withholding tax  | (182,128)                 | (161,191)               |
| <b>Net cash (used in)/generated from operating activities</b>  | <u><u>(3,280,992)</u></u> | <u><u>4,690,914</u></u> |

#### Reconciliation of financing liabilities

|                      | 1 January<br>2017 | Cash<br>flows    | Non-cash<br>flows | 31<br>December<br>2017 |
|----------------------|-------------------|------------------|-------------------|------------------------|
| <b>Borrowings</b>    |                   |                  |                   |                        |
| Venture debt funding | 5,650,590         | (982,134)        | 1,205,496         | 5,873,952              |
| Credit facility      | 1,714,564         | 5,798,922        | 586,514           | 8,100,000              |
| Shareholders' loan   | 3,311,361         | -                | (73,203)          | 3,238,158              |
|                      | <u>10,676,515</u> | <u>4,816,788</u> | <u>1,718,807</u>  | <u>17,212,110</u>      |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

#### 25. Contingent liabilities

At the reporting date the Group and Company had no contingent liabilities.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 26. Operating lease arrangements

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | \$             | \$             |
| Minimum lease payments under operating leases recognised as an expense in the year | <u>591,959</u> | <u>656,306</u> |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | \$             | \$             |
| Within one year                        | 165,790        | 399,102        |
| In the second to fifth years inclusive | <u>49,874</u>  | <u>93,144</u>  |
|  | <u>215,664</u> | <u>492,246</u> |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms ranging from one to ten years. Leases with terms in excess of one year are subject to rent reviews at periodic intervals ranging between three and five years.

#### 27. Share based payments

The share schemes are currently suspended to new members and will be replaced in 2018. Options to subscribe for ordinary shares have been granted, pursuant to the Company's Enterprise Management Incentive scheme and unapproved employee share option scheme as follows:

|  | Number of shares<br>under option | Subscription price per<br>share | Exercise period      |
|--|----------------------------------|---------------------------------|----------------------|
| Enterprise Management Incentive scheme | 1,044                            | £0.01                           | 4 years <sup>1</sup> |
| Unapproved share Option scheme         | 187                              | £0.01                           | 4 years <sup>1</sup> |

1. 25% of options vest one year after the vesting start date and the remaining 75% are exercisable over the three subsequent years, prorated on a quarterly basis.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 27. Share based payments (continued)

##### Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price of 1p per share. Vesting conditions are detailed above. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows.

|                                    | Number<br>of share<br>options | 2017<br>Weighted<br>average<br>exercise<br>price<br>(in £) | Number<br>of share<br>options | 2016<br>Weighted<br>average<br>exercise<br>price<br>(in £) |
|------------------------------------|-------------------------------|--|-------------------------------|--|
| Outstanding at beginning of year   | 1,263                         | 0.01   | 462,493                       | 0.01   |
| Expired during the year            | (32)                          | 0.01   | (461,230)                     | 0.01   |
| Outstanding at the end of the year | <u>1,231</u>                  | 0.01   | <u>1,263</u>                  | 0.01   |
| Exercisable at the end of the year | <u>1,231</u>                  | 0.01   | <u>1,183</u>                  | 0.01   |

The options outstanding at 31 December 2017 had a weighted average exercise price of £0.01, and a weighted average remaining contractual life of 4 years. There were no options granted in 2017 or 2016.

The Group recognised total expenses of \$nil related to equity-settled share-based payment transactions in both 2017 and 2016.

#### 28. Retirement benefit schemes

##### Defined contribution schemes

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The total cost recorded in the income statement of \$420,745 (2016: \$535,616) represents contributions payable to this scheme by the Group at rates specified in the rules of the plan. As at 31 December 2017, contributions of \$60,317 (2016: \$53,859) due in respect of the current reporting period had not been paid over to the scheme.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 29. Financial Instruments

#### Financial risk management

The Group has exposure to the following key risks related to its financial instruments:

- (i) Market risk;
- (ii) Credit risk; and
- (iii) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee of the Board oversees how management monitors compliance with the Group's risk management framework in relation to the risks faced by the Group.

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, loans as disclosed in note 19 and equity comprising issued share capital, as disclosed in note 23, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

#### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

#### Categories of financial instruments

|   | Group<br>2017<br>\$ | 2016<br>\$ | Company<br>2017<br>\$ | 2016<br>\$ |
|---|---------------------|------------|-----------------------|------------|
| <b>Financial assets</b>                       |                     |            |                       |            |
| Loans, receivables, cash and cash equivalents | 18,972,817          | 15,273,620 | 18,271,785            | 14,644,311 |
| <b>Financial liabilities</b>                  |                     |            |                       |            |
| Amortised cost                                | 30,553,970          | 25,858,229 | 28,728,417            | 24,581,728 |
| Fair value through profit and loss            | 354,359             | 189,017    | 354,359               | 189,017    |

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. Financial Instruments (continued)

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group manages foreign currency risk as detailed below. The Group does not currently enter into any interest rates swaps or other derivative financial instruments to mitigate the risk of rising interest rates.

#### Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

#### Foreign currency sensitivity analysis

Substantially all of the Group's sales and cost of sales are denominated in US dollars, the functional currency of the Group. A substantial proportion of the Group's fixed costs are denominated in Sterling. This exposure to different currencies may result in gains or losses with respect to movements in foreign exchange rates and the impact of such fluctuations could be material.

The carrying amounts of the Group's sterling denominated monetary assets and monetary liabilities at the reporting date are as follows:

|                          | 2017       | 2016      |
|--------------------------|------------|-----------|
| <b>Group and Company</b> | <b>\$</b>  | <b>\$</b> |
| Assets                   | 1,614,375  | 2,155,624 |
| Liabilities              | 10,747,424 | 2,052,446 |

#### Foreign currency sensitivity analysis

A 10 per cent strengthening of the US dollar against GBP Sterling would have decreased equity and profit or increased loss after tax by the amounts shown below as at the reporting date shown.

|                          | Equity    | Profit or loss |
|--------------------------|-----------|----------------|
| <b>Group and Company</b> | <b>\$</b> | <b>\$</b>      |
| <b>2017</b>              |           |                |
| GBP                      | -         | (913,305)      |
| <b>2016</b>              |           |                |
| GBP                      | -         | (10,318)       |

A 10 per cent weakening of the US Dollar against GBP sterling would have had the equal but opposite effect, on the basis that all other variables remain constant.

The movement in profit for the year is mainly attributable to the Group's exposure to exchange movements in sterling denominated monetary assets and liabilities.

In management's opinion, the sensitivity analysis above is not fully representative of the inherent foreign exchange risk to which the Group is exposed. The year end exposure does not reflect the exposure during the year.

# **CAMBRIDGE BROADBAND NETWORKS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

### **29. Financial Instruments (continued)**

#### **Interest rate risk management**

The Group has no significant direct exposure to fluctuations in interest rates as borrowings are at fixed interest rates and cash is deposited at fixed rates.

#### **Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared on assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A ten per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been ten per cent higher and all other variables were held constant, the Group's loss for the year ended 31 December 2017 would decrease by \$8k (2016: \$9k). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

#### **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a cautious approach to credit risk management, only entering into transactions with counterparties with recognised credit ratings; either through independent third party appraisal or through the Group's own trading records and other publicly available financial information. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits.

The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies.

Disclosures related to the credit risk associated with trade receivables are shown in note 18.

# CAMBRIDGE BROADBAND NETWORKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. Financial Instruments (continued)

#### Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

| Group                           | Average<br>weighted<br>interest<br>rate | Less than<br>1 year | 1-2 years         | 2+ years         | Total             |
|---------------------------------|---|---------------------|-------------------|------------------|-------------------|
|                                 |   | \$                  | \$                | \$               | \$                |
| <b>31 December 2017</b>         |   |                     |                   |                  |                   |
| Non-interest bearing            |   | 10,747,424          | -                 | 354,359          | 11,101,783        |
| Fixed interest rate instruments |   | -                   | 11,338,157        | 5,873,952        | 17,212,109        |
|                                 | 12.5%                                   | <u>10,747,424</u>   | <u>11,338,157</u> | <u>6,228,311</u> | <u>28,313,892</u> |
| <b>31 December 2016</b>         |   |                     |                   |                  |                   |
| Non-interest bearing            |   | 2,052,446           | -                 | -                | 2,052,446         |
| Fixed interest rate instruments |   | 10,676,515          | -                 | -                | 10,676,515        |
|                                 | 11.6%                                   | <u>12,728,961</u>   | <u>-</u>          | <u>-</u>         | <u>12,728,961</u> |

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 29. Financial Instruments (continued)

| Company                         | Average<br>weighted<br>interest<br>rate | Less than<br>1 year | 1-2 years         | 2+ years         | Total             |
|---------------------------------|---|---------------------|-------------------|------------------|-------------------|
|                                 |   | \$                  | \$                | \$               | \$                |
| <b>31 December 2017</b>         |   |                     |                   |                  |                   |
| Non-interest bearing            |   | 10,747,424          | -                 | 354,359          | 11,101,783        |
| Fixed interest rate instruments |   | -                   | 11,338,157        | 5,873,952        | 17,212,109        |
|                                 | 12.5%                                   | <u>10,747,424</u>   | <u>11,338,157</u> | <u>6,228,311</u> | <u>28,313,892</u> |
| <b>31 December 2016</b>         |   |                     |                   |                  |                   |
| Non-interest bearing            |   | 2,052,446           | -                 | -                | 2,052,446         |
| Fixed interest rate instruments |   | 10,676,515          | -                 | -                | 10,676,515        |
|                                 | 11.6%                                   | <u>12,728,961</u>   | <u>-</u>          | <u>-</u>         | <u>12,728,961</u> |

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

#### Fair value of financial instruments

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The finance department reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the finance department annually, in line with the Group's reporting dates.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 29. Financial Instruments (continued)

|                                       | Level 3<br>\$  |
|---------------------------------------|----------------|
| <b>2017</b>                           |                |
| <b>Financial liabilities at FVTPL</b> |                |
| Derivative financial liabilities      | 354,359        |
| Total                                 | <u>354,359</u> |
| <b>2016</b>                           |                |
| <b>Financial liabilities at FVTPL</b> |                |
| Derivative financial liabilities      | 189,017        |
| Total                                 | <u>189,017</u> |
| <b>2015</b>                           |                |
| <b>Financial liabilities at FVTPL</b> |                |
| Derivative financial liabilities      | 421,247        |
| Total                                 | <u>421,247</u> |

The fair value of the financial liabilities was measured on Level 3 fair value measurement bases.

#### Reconciliation of level 3 fair value measurements of financial liabilities:

|                               | Derivative<br>financial<br>liabilities<br>\$ |
|-------------------------------|--|
| Balance at 1 January 2016     | 421,247                                      |
| Total gain in profit and loss | <u>(232,230)</u>                             |
| Balance at 1 January 2017     | 189,017                                      |
| Total gain in profit and loss | <u>165,342</u>                               |
| Balance at 31 December 2017   | <u>354,359</u>                               |

#### Significant assumptions used in determining fair value of financial liabilities

The fair value of the liability component of the financial liabilities is determined assuming the warrants have an expected life of 3 years, an exercise price of \$10, annualised volatility of 62.5% and a discount rate of 3%.

## CAMBRIDGE BROADBAND NETWORKS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 30. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Group companies did not enter into any transactions with related parties who are not members of the Group.

##### Trading transactions

During the year, \$546,260 (2016: \$523,608) was loaned from the company to its subsidiary, Cambridge Broadband Networks (Pty) Limited. At the year end, this amount was fully provided against.

##### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group and Company is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

| <b>Group and Company</b>     | <b>2017</b>    | <b>2016</b>    |
|------------------------------|----------------|----------------|
|                              | <b>\$</b>      | <b>\$</b>      |
| Short-term employee benefits | 715,829        | 513,557        |
| Post-employment benefits     | 11,045         | 78,265         |
|                              | <u>726,874</u> | <u>591,822</u> |

There were no gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes (2016: nil).

#### 31. Ultimate controlling party

The majority of the Company's shares are held by independently managed private equity funds. The directors are therefore of the view that there is no single controlling party.

#### 32. Events after the balance sheet date

There have been no post balance sheet events.