

REGISTERED NUMBER: 03064044 (England and Wales)

**Group Strategic Report, Report of the Director and
Consolidated Financial Statements for the Year Ended 31 December 2021
for
Comtec Group (International) Limited**

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Comtec Group (International) Limited

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for the Year Ended 31 December 2021**

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Comtec Group (International) Limited

**Company Information
for the Year Ended 31 December 2021**

DIRECTORS: J T Archer
J S Buck
D Conway

SECRETARY: R Tamburrini

REGISTERED OFFICE: Cardinal Way
Cardinal Distribution Park
Godmanchester
Huntingdon
PE29 2XN

REGISTERED NUMBER: 03064044 (England and Wales)

INDEPENDENT AUDITORS: Constantin
Chartered Accountants and Statutory Auditors
25 Hosier Lane
London
EC1A 9LQ

Comtec Group (International) Limited

Group Strategic Report for the Year Ended 31 December 2021

The director presents strategic report of the company and the group for the year ended 31 December 2021.

BUSINESS REVIEW

INTRODUCTION

The principal activity of the Group is the supply of Internet Provider ("IP") Infrastructure materials and equipment to the data and telecom markets. We are focused on two key channels, firstly a standard Distribution Model meeting the day to day needs of installers and secondly, a Managed Services proposition where we handle a customer's complete supply chain requirements, including specifying, sourcing, and provisioning.

This approach to our operations has continued in this way, whilst also working toward aligning ourselves with the larger group of which Comtec became part, following ETC Group's acquisition of Comtec in July 2020. We operate predominantly in the UK but also operate in Qatar, Oman, UAE and Hong Kong.

We have invested in additional expertise in the FTTX market where the combined resources of ETC and Comtec look to achieve significant growth. The FTTX focus aside, the directors are not aware, at the date of the report, of any likely changes in the Group's general activities in the forthcoming year.

RESULTS AND PERFORMANCE

As shown in the statement of comprehensive income on page 10, the turnover for the year ended 31 December 2021 is £84.0 million compared to £61.5 million in the prior year.

The Group saw sales increase by 37% overall, most of the growth coming from the UK Telecom sector. To a lesser extent, Enterprise sales also grew in 2021 and we expect significant growth to continue in both sectors. For the Middle East region, results were more modest, impacted by delays to Enterprise projects and restrictions to trade due to repeated lockdowns relating to Covid.

Our Managed Service business, an area of focus, is well placed to meet the growing demands of building fibre rich nationwide networks with Altnets (Alternative Network Carriers). We continually review our resources to ensure we are structured in the best way to capitalise on the opportunities and significant investment in the FTTX market.

While our Distribution business continues to face aggressive positioning, we continue to invest in the space to ensure we are positioned at the top end of the market. We also continue to look at adding other major brands to establish us as the 'go-to' option for customers.

Operating Profit of £4.4 million for the year ended 31 December 2021 compares with £2.7 million in the prior year. At 5.3% this is above our target of 5% and a result of the great efforts made in achieving a firm foothold in the developing markets. Administrative expenses are higher at £10.8 million for the year ended 31 December 2021, but lower as a percentage of sales in the year.

KEY PERFORMANCE INDICATORS

The following key performance indicators of the Company are reported to management regularly throughout the year. Variances are discussed and appropriate action taken to address issues as necessary.

	2021	2020
Revenue	£84.0m	£61.5m
Gross Profit	18.1%	19.3%
Operating Profit	5.3%	4.4%
Operating Net Profit	£4.433m	£2.697m

Other KPIs, such as customer service levels are also monitored and reported to the management team regularly throughout the year.

The Consolidated Statement of Financial Position on page 12 shows the Group's financial position at the year end.

Comtec Group (International) Limited

Group Strategic Report for the Year Ended 31 December 2021

BUSINESS ENVIROMENT

Against a background of challenges including the coronavirus pandemic and the fallout of Brexit, we have been fortunate to be able to take advantage of new opportunities. Similarly, the Middle East and Far East are areas also impacted by the global pandemic and in addition, the MENA region has potential for challenging political events. Even with these considerations, we continue to achieve a strong long-term funnel of business.

BUSINESS MODEL

OPERATIONAL

Our strategy is to build on existing work streams and largely focus on improving efficiencies and motivation of the Comtec team. We are conscious of ensuring we not only maintain adequate resources for today's business but plan for the business growth we anticipate in the coming year and beyond.

Whilst we have ambitious plans to grow the business significantly over the next three years, we are focused on maintaining delivery of an exceptional service to our customers in all sectors of the market.

The operations teams are grouped into core functions including Customer Services, Materials Planning, Procurement, Logistics and Technical Services, each headed by a manager whose role is to ensure the efficient and effective delivery of their service.

COMMERCIAL

As mentioned in the opening comments, we are focused into commercial units by both market sector and service proposition. The market sectors being Enterprise and Telecom and service proposition being Distribution and Managed. Services. The former largely services the Enterprise Network and the latter Telecom. We continue to see growth in the Data Centre market with increasing demand for full supply chain management of these mission critical projects.

The distribution model is focused on the day-to-day provision of a range of key brands to Voice and Data Installers while the Managed Services model provides larger clients with a full outsourcing service, allowing us to run the provisioning and forecast planning of some or all of their supply requirements.

The Group has maintained its position in the upper tier of the market in the UK and has seen considerable success in taking this proposition to other geographical markets.

GOING CONCERN

The Group's business activities and future developments are included within the Business review on page 1. Included within the Strategic Report on pages 1 to 5 are a description of the Group's financial position and its approach to price, credit, liquidity and currency risk.

As highlighted in note 18 to the financial statements, the Group is funded on a day to day basis through a confidential discounting facility which has no fixed renewal date but is subject to termination with six months' notice by either party. The current economic conditions create uncertainty over the level of sales and the cost of certain products due to the fluctuations in the exchange rate between sterling, US dollar and the Euro. As mentioned in the Strategic Report management monitor these fluctuations.

COVID-19 has had limited impact on the Group's sales and operations during 2021 compared with 2020. Cost continue to be monitored and action taken where necessary to protect cash availability.

There is always an uncertainty when preparing business forecasts, and the directors recognise that the COVID-19 pandemic potentially increases the level of uncertainty when preparing cashflow and trading forecasts. However, given the current trading results of the business, the success of the business in adapting its operations to meet the new social distancing and other health and safety requirements and the commencement of the lifting of restrictions on movement by the UK Government, the directors do not believe that uncertainty to be material or cast significant doubt over the Company's ability to continue to trade or meet its liabilities as they fall due. Accordingly, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Comtec Group (International) Limited

Group Strategic Report for the Year Ended 31 December 2021

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INTRODUCTION

The process of risk acceptance and risk management is addressed through a framework of policies, procedures, and internal controls.

The Group's activities expose it to a number of financial risks. These individual risks are assessed in relation to their impact as a whole on the operation. These are as follows:

CASH FLOW (LIQUIDITY RISK)

The working capital ratio is reviewed monthly together with cash flow and cash generation in order that the cash requirements (existing and future) of the business can be fully met from existing financial facilities.

The business provides detailed monthly management accounts to parties with a vested interest in the business including its Parent Company ETC Group and its main bank, Lloyds. We also operate a central treasury function to control funds across the Group.

CREDIT RISK

The Group's principal financial assets are bank balances and trade debtors.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provision for doubtful debts. A provision is made where there is evidence of the possibility of not being able to recover the debt.

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

The Group is aware of all significant concentrations of credit risk and manages counterparties and customers accordingly.

LIQUIDITY RISK

To maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the group operates a centralised treasury function and confidential invoice discounting (CID) facility that allows Comtec Cable Accessories Limited, a wholly owned subsidiary and main trading entity, to receive advances of funds against outstanding sales invoices.

PRICE RISK

The Group has some exposure to price risk relating to fixed price contracts with major clients. This, however, is largely mitigated by a mixture of back-to-back arrangements with suppliers or medium-term reviews with clients.

CURRENCY AND COMMODITY RISK

Group exposure to currency and commodity risk includes the revaluation of overseas operations at the relevant exchange rate and changes in trade payables and receivables because of exchange rate movements. Exchange rate movements are monitored, and any losses or gains are reported in the Group's internal management information. Consideration is given to utilizing financial instruments such as hedging and forward purchase contracts. No such instruments are currently in place, and none were in place during 2020.

FUTURE PROSPECTS

The Directors believe that the UK communication industry will continue to grow strongly through 2022 due to the continued demand for mobile and broadband services. The Group's export markets will also benefit from further growth as a result of our continued investment in our international presence particularly in the MENA region.

The Directors also continue to review and consider organisational changes to ensure we drive engagement and motivate every member of our team.

We believe the business is well positioned with long term commitments from most of our key partners. However, we remain conscious of the challenges of an evolving marketplace.

Comtec Group (International) Limited

**Group Strategic Report
for the Year Ended 31 December 2021**

SECTION 172(1) STATEMENT

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE GROUP

Comtec's senior management are committed to promoting the success of the Group in accordance with section 172 of the 2006 Companies Act. The Board ensures that all decisions are taken for the long term and both collectively and individually aims to always uphold the highest standard of conduct. The Board recognises that the business has the best chance to grow and prosper over the long-term if it understands the needs of its customers, suppliers, employees, and other stakeholders.

The Group manages its relationships with its stakeholders through regular communication. The Company's engagement with customers includes close relationships with key account managers as well as engagement through social media and the Company's website.

The Group is aware of its environmental responsibilities and specifically, it has worked on removing excess packaging and single use plastics from its operations. In terms of its wider corporate social responsibility (CSR) values, the Company also seeks to support the charity endeavors of its employees and stakeholders. Comtec has sponsored its business partners in supporting local charity events to raise monies and regularly engages with staff in supporting other national charitable fund raising by supporting events at Comtec's offices.

At the heart of the culture of the Group, it is the desirability to maintain a reputation of high standards of business conduct at all times and the need to act fairly toward all its employees.

The Directors fulfil their duties in part through delegation of certain day-to-day decisions to its employees. The Board understands the need for a clear governance structure and systems of control to ensure its values are upheld in dealing with stakeholders.

IMPACT OF BREXIT

Senior management continue to monitor the impact of Brexit. Having prepared ourselves prior to the exit date by engaging with our business partners including customers, freight forwarders and others part of the supply chain, we have avoided any significant disruption to our operations. Through the efforts of our operations teams, we have been able to counter any issues presented and continue to be confident in addressing further challenges relating to Brexit.

IMPACT OF COVID-19

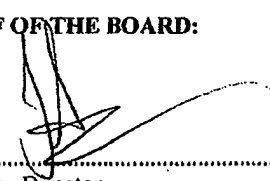
The Company ensured that measures were put in place at the start of the coronavirus pandemic and these have been maintained. This has enabled the business to work through the crisis, continuing to deliver our customers' needs, support our employees and keep health and safety at the forefront of our plans.

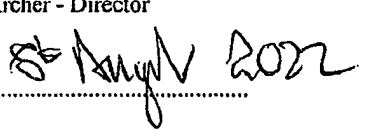
With potential for a continued changing landscape in terms of government restrictions and other challenges which may affect operations, we continue to monitor changes in rules or guidelines and adapt our business practices accordingly. We are particularly aware of the potential difficulties placed on our staff and recognise it is their dedication and continued efforts which put the Company on a strong and well positioned footing to take advantage of new opportunities and continue to deliver long-term sustainable growth.

RUSSIA-UKRAINE CONFLICT

Comtec does not directly or indirectly engage in business activities with Russia or Ukraine and has not been impacted by the conflict which started in February 2022.

ON BEHALF OF THE BOARD:


.....
John T Archer - Director


Date:

Comtec Group (International) Limited

Report of the Director for the Year Ended 31 December 2021

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2021.

The Group has chosen to include the disclosure of likely future developments of the Group's business in the Strategic Report. The information about engagement with employees, suppliers, customers, and others has been included in the Strategic Report, which is also incorporated into this report by cross reference.

PRINCIPAL ACTIVITY

The main activity of the company during the year under review was wired telecommunication activities.

DIVIDENDS

The profit for the year, after taxation, amounted to £3.9m (2020: £2.1m).

During the year a dividend of £12k was paid (2020: £nil).

DIRECTOR

The following directors have held office during the whole of the period from 1 January 2021 to the date of this report:

J T Archer
J S Buck
D Conway

POST BLANCE SHEET EVENTS

There were no post balance sheet that occurred until the date of the issuance of the financial statements that would require adjustments to or disclosure in the financial statements as of the year ended 31 December 2021.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DIRECTOR'S INDEMNITIES

The Company does not have qualifying indemnity provisions to the benefit of its directors which were made during the year and remain in force at the date of this report.

Comtec Group (International) Limited

**Report of the Director
for the Year Ended 31 December 2021**

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

The Group's UK greenhouse gas (GHG) emissions and energy consumption for the year were as follows:

	2021	2020
Energy use from gas (kWh)	100,827	98,586
Energy use from transport (kWh)	179,788	243,529
Energy use from purchased electricity (kWh)	331,701	285,294
Total Energy use (kWh)	612,316	627,409
Scope 1 GHG (kg CO ₂ e) - Direct emissions (gas and transport)	72,657	91,374
Scope 2 GHG (kg CO ₂ e) - Indirect emissions (electricity- location based)	76,636	65,914
Total GHG (kg CO₂e)	149,293	157,288
Intensity Ratio (kg CO₂e per £'000 UK revenue)	2.02	3.08

The key inputs in calculating the figures above were utility bills for gas/electricity and business mileage for fleet vehicles, which were converted to kg CO₂e using conversion factors provided by the Department of Business, Energy and Industrial Strategy in their "Greenhouse gas reporting: conversion factors 2020" dataset. The methodology for the reporting of GHG emissions follows the GHG Protocol standards and guidance.

The Group is committed to managing its environmental impact and is fully aware that considering the environment in our decision making can have a beneficial impact on the Group's performance.

We continue to reduce our carbon footprint with well-established initiatives around waste management, specifically the removal of plastics and secondary and tertiary packaging. Throughout the Company's business premises we are focused on recycling of paper, cardboard, aluminium cans and plastics. With energy efficiency in mind, we also have lighting controls installed in the common areas of the premises to reduce the amount of energy used.

More recently, we have updated the Group policy on vehicle selection for its small fleet of leased vehicles, setting a cap on permissible CO₂ emissions, thereby reducing our use of fossil fuel vehicles. As current vehicle leases expire, they will be replaced with cleaner alternatives. Currently, c. 90% of our leased vehicles are either fully electric or Hybrid.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

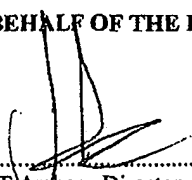
So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that ought to have taken as a director in order to make aware of any relevant audit information and to establish that the group's auditors are aware of that information.

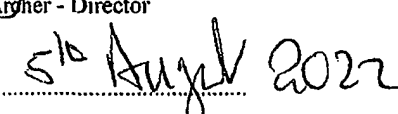
AUDITORS

The auditors, Constantin are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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

ON BEHALF OF THE BOARD:


John T Archer - Director

Date: 

**Report of the Independent Auditors to the Members of
Comtec Group (International) Limited**

Independent auditor's report to the members of Comtec Group (International) Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Comtec Group (International) Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of cash flows;
- the consolidated and parent company statements of changes in equity;
- the related notes 1 to 30, which include a statement of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report of the Independent Auditors to the Members of Comtec Group (International) Limited

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Responsibilities of director

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and the relevant tax compliance regulations in the jurisdictions in which the group operates; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

**Report of the Independent Auditors to the Members of
Comtec Group (International) Limited**

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

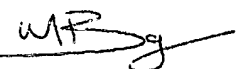
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Mark Bathgate (Senior statutory auditor)
For and on behalf of Constantin
Chartered Accountants and Statutory Auditors
25 Hosier Lane
London
EC1A 9LQ

Date 05 August 2022.....

Comtec Group (International) Limited

**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
TURNOVER	4	84,040	61,502
Cost of Sales		<u>(68,899)</u>	<u>(49,642)</u>
GROSS PROFIT		15,141	11,860
Administrative expenses		<u>(10,102)</u>	<u>(9,651)</u>
		5,039	2,209
Other operating income	7	<u>8</u>	<u>488</u>
OPERATING PROFIT	8	5,047	2,697
Exceptional items	11	(615)	-
Interest receivable and similar income		<u>1</u>	<u>10</u>
		4,433	2,707
Interest payable and similar expenses	9	<u>(142)</u>	<u>(140)</u>
PROFIT BEFORE TAXATION		4,291	2,567
Tax on profit	10	<u>(1,043)</u>	<u>(436)</u>
PROFIT FOR THE FINANCIAL YEAR		3,248	2,131
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		<u>55</u>	<u>(185)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,303</u>	<u>1,946</u>
Profit attributable to: Owners of the parent		<u>3,303</u>	<u>1,946</u>

The notes form part of these financial statements

Comtec Group (International) Limited (Registered number: 03064044)

Consolidated Statement of Financial Position
as at 31 December 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	330	817
Tangible assets	12	760	772
Investments	13	-	36
		<u>1,090</u>	<u>1,625</u>
CURRENT ASSETS			
Stocks	14	21,508	13,905
Debtors: amounts falling due within one year	15	14,960	13,009
Cash at bank	16	<u>2,058</u>	<u>1,735</u>
		38,526	28,649
CREDITORS			
Amounts falling due within one year	17	<u>(23,874)</u>	<u>(18,103)</u>
NET CURRENT ASSETS		<u>14,652</u>	<u>10,546</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,742	12,171
CREDITORS			
Amounts falling due after more than one year	18	(212)	(47)
DEBTORS			
Debtors: amounts falling due after more than one year	15	69	77
PROVISIONS FOR LIABILITIES	22	<u>(629)</u>	<u>(522)</u>
NET ASSETS		<u>14,970</u>	<u>11,679</u>
CAPITAL AND RESERVES			
Called up share capital	23	160	160
Share premium	24	1,215	1,215
Capital redemption reserve	24	228	228
Retained earnings	24	<u>13,367</u>	<u>10,076</u>
		<u>14,970</u>	<u>11,679</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5th April 2022 and were signed by:

John T Archer - Director

The notes form part of these financial statements

Comtec Group (International) Limited (Registered number: 03064044)

Company Statement of Financial Position
31 December 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	-	-
Tangible assets	12	-	-
Investments	13	<u>3,225</u>	<u>4,152</u>
		<u>3,225</u>	<u>4,152</u>
CURRENT ASSETS			
Stocks	14	-	-
Debtors	15	-	67
Cash at bank	16	<u>-</u>	<u>-</u>
		-	67
CREDITORS			
Amounts falling due within one year	17	<u>(1,098)</u>	<u>(1,209)</u>
NET CURRENT ASSETS		<u>(1,098)</u>	<u>(1,142)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,127	3,010
CREDITORS			
Amounts falling due after more than one year	18	-	-
PROVISIONS FOR LIABILITIES	22	<u>-</u>	<u>-</u>
NET ASSETS		<u>2,127</u>	<u>3,010</u>
CAPITAL AND RESERVES			
Called up share capital	23	160	160
Share premium	24	1,215	1,215
Capital redemption reserve	24	228	228
Retained earnings	24	<u>524</u>	<u>1,407</u>
		<u>2,127</u>	<u>3,010</u>
Company's loss for the financial year		<u>(884)</u>	<u>300</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5th August 2022 and were signed by:

J T Archer - Director

The notes form part of these financial statements

Comtec Group (International) Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 January 2020	210	8,180	1,215	178	9,783
Comprehensive income for the year					
Profit for the year	-	2,131	-	-	2,131
Currency translation differences	-	(185)	-	-	(185)
Total comprehensive income for the year	-	1,946	-	-	1,946
Transfer on cancellation of shares	-	(50)	-	50	-
Repurchase and cancellation of shares	(50)	-	-	-	(50)
Balance at 31 December 2020	<u>160</u>	<u>10,076</u>	<u>1,215</u>	<u>228</u>	<u>11,679</u>
Comprehensive income for the year					
Profit for the year	-	3,248	-	-	3,248
Currency translation differences	-	55	-	-	55
Dividends paid	-	(12)	-	-	(12)
Total comprehensive income for the year	-	3,291	-	-	3,291
Balance at 31 December 2021	<u>160</u>	<u>13,367</u>	<u>1,215</u>	<u>228</u>	<u>14,970</u>

The notes form part of these financial statements

Comtec Group (International) Limited

**Company Statement of Changes in Equity
for the Year Ended 31 December 2021**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 January 2020	210	1,157	1,215	178	2,760
Comprehensive income for the year					
Profit for the year	-	300	-	-	300
Total comprehensive income for the year	-	300	-	-	300
Transfer on cancellation of shares	-	(50)	-	50	-
Repurchase and cancellation of shares	(50)	-	-	-	(50)
Balance at 31 December 2020	<u>160</u>	<u>1,407</u>	<u>1,215</u>	<u>228</u>	<u>3,010</u>
Comprehensive income for the year					
Profit for the year	-	(884)	-	-	(884)
Total comprehensive income for the year	-	(884)	-	-	(884)
Balance at 31 December 2021	<u>160</u>	<u>524</u>	<u>1,215</u>	<u>228</u>	<u>2,127</u>

The notes form part of these financial statements

Comtec Group (International) Limited

**Consolidated Statement of Cash Flow
for the Year Ended 31 December 2021**

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	3,248	2,131
Adjustments for:		
Amortisation of intangible assets	794	200
Depreciation of tangible assets	304	650
Gain on sale of investments	(8)	-
Interest paid	143	140
Interest received	(1)	(10)
Taxation charge	1,043	436
(Increase)/decrease in stocks	(7,603)	(1,027)
(Increase)/decrease in debtors	(1,964)	(1,844)
Increase/(decrease) in creditors	3,719	675
Corporation tax paid	<u>(1,089)</u>	<u>(289)</u>
Net cash (used in)/generated from operating activities	<u>(1,415)</u>	<u>1,062</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(304)	(49)
Purchase of tangible fixed assets	(200)	(169)
Sale of tangible fixed assets	10	19
Sale of investment assets	44	-
Interest received	<u>1</u>	<u>10</u>
Net cash from investing activities	<u>(449)</u>	<u>(189)</u>
Cash flows from financing activities		
Confidential invoice discounting	2,463	(1,554)
Repayment of loans	(75)	(115)
Repayment of/new finance leases	(22)	-
Dividends paid	(12)	-
Interest paid	(143)	(140)
Repurchase of own shares	<u>-</u>	<u>(50)</u>
Net cash used in financing activities	<u>2,211</u>	<u>(1,859)</u>
Net increase/(decrease) in cash and cash equivalents	347	(968)
Cash and cash equivalents at beginning of the year	1,735	2,882
Exchange gains/(losses) on cash and cash equivalents	<u>(23)</u>	<u>(161)</u>
Cash and cash equivalents at the end of year	<u>2,058</u>	<u>1,735</u>
Cash and cash equivalents at the end of year comprise		
Cash at bank and in hand	<u>2,058</u>	<u>1,735</u>
	<u>2,058</u>	<u>1,735</u>

The notes form part of these financial statements

Comtec Group (International) Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2021

1. STATUTORY INFORMATION

Comtec Group (International) Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Cardinal Way, Cardinal Distribution Park, Godmanchester, Huntingdon, PE29 2XN. The Group's principal activity continued to be the supply of IP infrastructure materials and equipment to the data and telecom markets.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Going concern

The Group's business activities and future developments are included within the Business review on page 1. Included within the Strategic Report on pages 1 to 5 are a description of the Group's financial position and its approach to price, credit, liquidity and currency risk.

As highlighted in note 17 to the financial statements, the Group is funded on a day to day basis through a confidential discounting facility which has no fixed renewal date but is subject to termination with six months' notice by either party. The current economic conditions create uncertainty over the level of sales and the cost of certain products due to the fluctuations in the exchange rate between sterling, US dollar and the Euro. As mentioned in the Strategic Report management monitor these fluctuations.

COVID-19 has had limited impact during 2021 compared with 2020. Costs continue to be monitored to protect against negative impact to profits.

There is always an uncertainty when preparing business forecasts, and the directors recognise that the COVID-19 pandemic potentially increases the level of uncertainty when preparing cashflow and trading forecasts. However, given the current trading results of the business, the success of the business in adapting its operations to meet the new social distancing and other health and safety requirements and the commencement of the lifting of restrictions on movement by the UK Government, the directors do not believe that uncertainty to be material or cast significant doubt over the Company's ability to continue to trade or meet its liabilities as they fall due. Accordingly, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

2. ACCOUNTING POLICIES - continued

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. It is stated at the fair value of the consideration receivable, net of value added tax and discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, usually on shipment of the goods.

Revenue from a contract to provide managed services is recognised at a point in time, when the services are provided to the customer.

Government grants

Grants are accounted for under the accrual model as permitted by FRS 102.

Due to the Covid-19 pandemic, the business utilised the furlough scheme whereby the Government contributed towards the wage costs of the business. The amounts received are reported as other operating income in the financial statements. The income is reported in the period that the relief relates to.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the fair value of the Group's share of its identifiable assets and liabilities of the acquire at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is mortised on a straight line basis over its useful economic life..

Negative goodwill is written back to the profit and loss account to match the recovery of the assets acquired.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software development costs	- 3 to 5 years
Goodwill	- 10 years

Amortisation is included in 'administrative expenses' in the Consolidated Statement of Comprehensive Income.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

2. ACCOUNTING POLICIES - continued

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 10% or life of lease
Plant, machinery and hire equipment	- 10% to 20%
Motor vehicles	- 25%
Office equipment, fixtures and fittings	- 20% to 33.3%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Consolidated Statement of Comprehensive Income.

Valuation of investments

Investments in subsidiaries, associates and shareholdings of less than 20% where significant control is not held by the Group are measured at cost less accumulated impairment.

The Group reviews on an annual basis the carrying amounts of investments in order to determine if there is an indication of impairment. If any such indication exists an impairment review is carried out in order to determine the extent of the impairment loss.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price. The impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment.

The Group monitors the credit rating of debtors to assist us in determining level of risk and whether therefore impairment needs to be considered.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Comtec Group (International) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

2. ACCOUNTING POLICIES - continued

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP sterling (£), which is the functional currency of the Group.

Transactions and balance

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at average rates. All assets and liabilities of overseas operations are translated at the rate ruling at the Statement of Financial Position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Finance costs

Finance costs are charged to Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Comtec Group (International) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

2. ACCOUNTING POLICIES - continued

Dividends

Equity dividends are recognised when they become legally payable, Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Provision for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in Consolidated Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Comtec Group (International) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2021

2. ACCOUNTING POLICIES - continued

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Confidential discounting facility

The Company is funded on a day to day basis through a confidential discounting facility which has no fixed renewal date but is subject to termination with six months' notice by either party. The current economic conditions create uncertainty over the level of sales and the cost of certain products due to the fluctuations in the exchange rate between sterling, US dollar and the Euro. As mentioned in the Strategic Report management monitor these fluctuations.

Dilapidation costs

Dilapidations provision is built up over the term of the original lease period. With regard to the Company's main premises located in Huntingdon, dilapidation obligations are fully provided and for the Company's Glasgow premises 28% is provided for as at 31 December 2021.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Revenue

In making the revenue recognition judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Impairment of intangible assets

Intangible assets are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. If the actual results differ from the assumptions, the value of intangible assets will be over or understated. This would be adjusted when the assets were next revalued.

Stock provision

Management performed a detailed review of the stock listing on a line by line basis and included a stock provision totalling £633,000 as at 31 December 2021 (2020: £586,000) for slow moving and obsolete stock based on their knowledge of the stock lines.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued**

Aged debts

Management have included an aged debt provision within the financial statements as at 31 December 2021 after reviewing each trade debtor outstanding at the year end identifying those where known issues exist. The provision totalled £553,000 as at 31 December 2021 (2020: £329,000).

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2021	2020
	£'000	£'000
Sales of goods	83,812	61,442
Managed services	229	60
	<u>84,041</u>	<u>61,502</u>

Analysis of turnover by country of destination:

	2021	2020
	£'000	£'000
United Kingdom	73,134	51,120
Middle East	7,456	7,854
Far East	3,068	2,178
Rest of the World	383	350
	<u>84,041</u>	<u>61,502</u>

5. EMPLOYEES AND DIRECTORS

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	5,116	4,759
Social security costs	480	388
Cost of defined contribution scheme	91	54
Redundancy costs	14	293
	<u>5,700</u>	<u>5,494</u>

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

5. EMPLOYEES AND DIRECTORS – continued

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

	2021	2020
	No.	No.
Management	12	14
Sales	34	48
Warehousing and shipping	83	41
Administration	<u>38</u>	<u>76</u>
	<u>167</u>	<u>179</u>

	2021	2020
	£'000	£'000
Directors' emoluments	411	(89)
Company contribution to defined contribution pension schemes	<u>6</u>	<u>5</u>
	<u>418</u>	<u>(84)</u>

During the year retirement benefits were accruing to 1 directors (2020: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £209,654 (2020: £79,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,000 (2020: £5,000).

Directors remuneration includes a credit of £nil (2020: £482,000) arising from the release of unpaid bonus accruals from previous years that were waived in the year.

6. AUDITORS' REMUNERATION

	2021	2020
	£'000	£'000
Fees payable to the Group's auditors and its associates for the audit of the Group's annual financial statements	<u>104</u>	<u>75</u>
Fees payable to the Group's auditor and its associates in respect of:		
Tax compliance services	11	10
All other services	<u>-</u>	<u>-</u>

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

7. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Grant income	-	488
Other income	<u>8</u>	<u>-</u>
	<u>8</u>	<u>488</u>

The other income from CJRS grant relates to staff who were furloughed due to the pandemic from April to December 2020. The company took advantage of the VAT deferral scheme. The deferred VAT amount was repaid within the year.

8. OPERATING PROFIT

The operating profit is stated after charging:

	2021 £'000	2020 £'000
Depreciation of owned tangible fixed assets	240	616
Depreciation of finance leased tangible fixed assets	62	34
Profit of disposal of fixed assets	-	(3)
Amortisation of intangible assets, including goodwill	64	200
Exchange differences	120	(178)
Operating lease rentals – land and buildings	736	715
Operating lease rentals – other	<u>231</u>	<u>191</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Bank interest payable	127	125
Unwind of discount on provisions	12	13
Other interest payable	<u>4</u>	<u>2</u>
	<u>143</u>	<u>140</u>

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

10. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2021	2020
	£'000	£'000
Current tax:		
UK corporation tax	843	498
Adjustments in respect of previous periods	<u>-</u>	<u>(204)</u>
Total current tax	<u>843</u>	<u>(294)</u>
Foreign tax:		
Foreign tax on income for the year	<u>130</u>	<u>91</u>
Total foreign tax	<u>130</u>	<u>91</u>
Deferred tax:		
Original and reversal of timing differences	70	(39)
Adjustment in respect of prior periods	-	90
Impact of changes in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>70</u>	<u>51</u>
Tax on profit	<u>1,043</u>	<u>436</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£'000	£'000
Profit on ordinary activities before tax	<u>4,291</u>	<u>2,567</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	815	488
Effects of:		
Expenses not deductible for tax purpose	326	11
Fixed asset ineligible depreciation/amortisation	32	85
Impact of overseas tax rates	(130)	(91)
Impact of change in rate of deferred tax	-	-
Adjustments to tax charge in respect of previous periods	-	(204)
Adjustments to deferred tax charge in respect of prior periods	-	90
Income not subject to tax	<u>-</u>	<u>57</u>
Total tax charge for the year	<u>1,043</u>	<u>436</u>

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

11. INTANGIBLE FIXED ASSETS

Group

	Software £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
COST				
At 1 January 2021	441	4,246	(26)	4,661
Additions	301	-	-	301
Disposals	(141)	-	-	(141)
At 31 December 2021	<u>601</u>	<u>4,246</u>	<u>(26)</u>	<u>4,820</u>
AMORTISATION				
At 1 January 2021	348	3,521	(26)	3,843
Charge for the year	64	110	-	174
Elimination of amortisation on disposals	(141)	-	-	(141)
Impairment	-	615	-	615
	<u>271</u>	<u>4,246</u>	<u>(26)</u>	<u>4,491</u>
NET BOOK VALUE				
At 31 December 2021	<u>330</u>	<u>-</u>	<u>-</u>	<u>330</u>
At 31 December 2020	<u>92</u>	<u>725</u>	<u>-</u>	<u>817</u>

The Company had no Intangible Fixed Assets at 31 December 2021 (2020: £nil).

Goodwill impairment breakdown : -Wadsworth Limited (£20k), Nexxia Designs Limited (£46k), Cablelines Limited 2019 (£549k).

12. TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
COST					
At 1 January 2021	579	313	47	972	1,911
Additions	95	-	10	190	295
Disposals	-	(10)	(1)	(35)	(46)
Currency conversion gain/(loss)	1	-	1	7	9
Reclassification	-	(5)	-	5	-
At 31 December 2021	<u>675</u>	<u>298</u>	<u>57</u>	<u>1,139</u>	<u>2,169</u>
DEPRECIATION					
At 1 January 2021	490	105	13	531	1,139
Charge for the year	69	34	13	188	304
Elimination of depreciation on disposals	-	(2)	-	(34)	(36)
Currency conversion gain/(loss)	-	-	-	2	2
	<u>559</u>	<u>137</u>	<u>26</u>	<u>687</u>	<u>1,409</u>
NET BOOK VALUE					
At 31 December 2021	<u>116</u>	<u>161</u>	<u>31</u>	<u>452</u>	<u>760</u>
At 31 December 2020	<u>89</u>	<u>208</u>	<u>34</u>	<u>441</u>	<u>772</u>

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

12. TANGIBLE FIXED ASSETS - continued

The net book value of tangible fixed assets, office equipment fixtures and fittings includes an amount of £62,000 (2020: £96,000) in respect of assets held under finance leases and hire purchases contracts. Depreciation on these assets is £107,000 (2020: £73,000).

The Company had no Tangible Fixed Assets at 31 December 2021 (2020: £nil).

13. FIXED ASSET INVESTMENTS

Group

**Shares in
group
undertakings
£'000**

COST

At 1 January 2021

36

Disposals

(36)

At 31 December 2021

-

NET BOOK VALUE

At 31 December 2021

-

At 31 December 2020

36

Company

**Investments
in subsidiary
companies
£'000**

COST

At 1 January 2021

4,152

Impairment

(891)

Disposals

(36)

At 31 December 2021

3,225

NET BOOK VALUE

At 31 December 2021

3,225

At 31 December 2020

4,152

The following investments have been written off in the year:

	£'000
WADSWORTH LIMITED	-
NEXXIA DESIGNS LIMITED	75
CABLELINES (2019) LIMITED	816
Total	891

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

13. FIXED ASSET INVESTMENTS - continued

Name	Registered office	Principal activity	Class of shares	Holding
Comtec Cable Accessories Limited	England	Distribution of telecommunications installation equipment	Ordinary	100%
Comtec Qatar W.L.L.	State of Qatar	Distribution of telecommunications installation equipment	Ordinary	100%
Wadsworth Limited*	England	Distribution of telecommunications installation equipment	Ordinary	100%
Comtec (Hong Kong) Limited	Hong Kong	Distribution of telecommunications installation equipment	Ordinary	100%
Nexxia Designs Limited*	England	Distribution of telecommunications installation equipment	Ordinary	100%
Cablelines (2019) Limited	England	Distribution of telecommunications installation equipment	Ordinary	100%
Comtec LLC	Oman	Distribution of telecommunications installation equipment	Ordinary	100%
Comtec LLC	United Arab Emirates	Distribution of telecommunications installation equipment	Ordinary	100%

The Company has guaranteed the liabilities of Wadsworth Limited, Nexxia Designs Limited and Cablelines (2019) Limited, all incorporated in England and Wales, in order that they qualify for the exemption from audit under 479A of the Companies Act 2006 in respect of the year ended 31 December 2021.

14. STOCKS

	Group	Group
	2021	2020
	£'000	£'000
Finish goods and goods for resale	<u>21,508</u>	<u>13,905</u>

There is no significant difference between the replacement cost of stocks and its carrying amount.

An impairment of £47,000 (2020: £12,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The Company had no inventories at 31 December 2021 (2020: £nil).

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

15. DEBTORS

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amount falling due within one year:				
Trade debtors	14,220	12,113	-	-
Amounts owed by parent undertakings	251	250	-	-
Other debtors	291	343	-	67
Prepayments and accrued income	176	258	-	-
Deferred taxation	23	45	-	-
	<u>14,960</u>	<u>13,009</u>	<u>-</u>	<u>67</u>

Amounts falling due after more than one year:

Other	<u>69</u>	<u>77</u>	<u>-</u>	<u>-</u>
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Deferred tax asset:

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Deferred tax	<u>23</u>	<u>45</u>	<u>-</u>	<u>-</u>

An impairment of £224,000 (2020: £156,000) was recognised in the profit or loss during the year, and a provision of £553,000 (2020: £329,000) is set against trade debtors above.

Amounts owed by parent undertakings are repayable within 6 months period. No interest is applied on the amount.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

16. CASH AND CASH EQUIVALENTS

	Group 2021 £'000	Group 2020 £'000
Cash at bank and in hand	<u>2,058</u>	<u>1,735</u>

The Company had no Cash and Cash Equivalents at 31 December 2021 (2020: £nil).

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Confidential invoice discounting facility	5,639	3,176	-	-
Bank loans	-	75	-	-
Trade creditors	14,488	10,353	-	-
Amounts owed to group undertakings	-	-	1,098	1,209
Corporation tax	317	420	-	-
Deferred tax liability	35	-	-	-
Other taxation and social security	1,814	2,020	-	-
Finance lease	17	23	-	-
Other creditors	-	-	-	-
Accruals and deferred income	<u>1,565</u>	<u>2,036</u>	<u>-</u>	<u>-</u>
	<u>23,874</u>	<u>18,103</u>	<u>1,098</u>	<u>1,209</u>

The confidential invoice discounting ("CID") facility and asset lending facility is secured by a fixed and floating charge over assets of the Group and is drawn against the trade debtors of the Group. Bank facilities are secured by a standard bank debenture and unlimited cross guarantees.

Amounts owed to group undertakings include standard trading balances and short term current account is £112,000 (2020: £71,000) and the balances of interest free. There were no intergroup loans in 2021 (2020: £nil).

Obligations under finance leases are secured on the asset to which they relate.

Amounts owed to group undertakings are payable within a six-month period. No interest is applied on the amount.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2021 £'000	Group 2020 £'000
Finance leases	31	47
Other creditors	<u>181</u>	<u>-</u>
	<u>212</u>	<u>47</u>

The Company had no Creditors which are falling due after more than one year at 31 December 2021 (2020: £nil).

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

19. LOANS AND BORROWINGS

	Group 2021 £'000	Group 2020 £'000
Amounts falling due within one year:		
Confidential invoice discounting facility	5,639	3,176
Bank loans	-	75
Finance leases	<u>17</u>	<u>23</u>
	<u>5,656</u>	<u>3,274</u>
	Group 2021 £'000	Group 2020 £'000
Amounts falling due between 1-5 years:		
Finance leases	<u>31</u>	<u>47</u>
	<u>31</u>	<u>47</u>
	<u>5,687</u>	<u>3,321</u>

The bank loan is repayable in equal quarterly instalments over 3 years and will be fully repaid by December 2022. The loan accrue interest at 3 months LIBOR plus 2.50%.

The Company had no Loans and Borrowings at 31 December 2021 (2020: £nil).

20. FINANCE LEASES

	Group 2021 £'000	Group 2020 £'000
Within one year	17	30
Between 1-5 years	31	53
Over 5 years	<u>-</u>	<u>-</u>
	<u>48</u>	<u>83</u>

The finance leases primarily relate to information technology and warehousing equipment used in the Group's operations. There are no contingent rental, renewal or purchase option clauses.

The Company had no Finance Leases at 31 December 2021 (2020: £nil).

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

21. DEFERRED TAXATION

Group

	2021	2020
	£'000	£'000
At beginning of year	45	97
Charge to profit or loss	<u>(57)</u>	<u>(52)</u>
	<u>(12)</u>	<u>45</u>

The deferred tax asset is made up as follows:

	Group	Group
	2021	2020
	£'000	£'000
Accelerated capital allowances	(91)	(61)
Tax losses carried forward	<u>79</u>	<u>106</u>
	<u>(12)</u>	<u>45</u>

The Company had no Deferred Taxation at 31 December 2021 (2020: £nil).

22. PROVISIONS FOR LIABILITIES

Group

	Dilapidation provision £'000
At 1 January 2021	522
Charge to profit or loss	<u>107</u>
At 31 December 2021	<u>629</u>

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are mortised over the shorter of the term of the lease and the useful life of the assets.

The Company had no Provisions for Liabilities at 31 December 2021 (2020: £nil).

23. CALLED UP SHARE CAPITAL

Group

	2021	2020
	£'000	£'000
Allotted, called up and fully paid:		
160,014 (2020: 160,014) Ordinary shares at £1 per share	<u>160</u>	<u>160</u>

Ordinary shares

On a redemption of share capital, the Company would pay the net proceeds to the ordinary shareholders.

The ordinary shares carry one vote per share.

No shares (2020: 50,000 shares) were cancelled and repurchased during the financial year.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

23. CALLED UP SHARE CAPITAL - continued

Company

	2021 £'000	2020 £'000
Allotted, called up and fully paid: 160,014 (2020: 160,014) Ordinary shares at £1 per share	<u>160</u>	<u>160</u>

24. RESERVES

Share capital

Share capital represents the nominal value of shares that have been issued.

Share premium account

Share premium includes all premiums received on issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

Capital redemption reserve is a non-distributable reserve that includes amounts following redemption or purchase of the Company's own shares.

Profit and loss account

Includes all current and prior periods retained profits and losses, less dividends paid.

25. ANALYSIS OF NET DEBT

Group

	At 1 January 2021 £'000	Cash flows £'000	At 31 December 2021 £'000
Cash at bank and in hand	1,735	323	2,058
Confidential invoice discounting	(3,176)	(2,463)	(5,639)
Bank loans	(75)	75	-
Finance leases	<u>(70)</u>	<u>21</u>	<u>(49)</u>
	<u>(1,586)</u>	<u>(2,044)</u>	<u>(3,630)</u>

The Company had no Debt at 31 December 2021 (2020: £nil).

26. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £91,000 (2020: £54,000). Contributions totalling £22,444 (2020: £22,000) were payable to the fund at the reporting date and are included in creditors.

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

27. COMMITMENTS UNDER OPERATING LEASES

Group

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £'000	Group 2020 £'000
Land and buildings		
Within 1 year	704	383
Between 1 and 5 years	<u>1,585</u>	<u>177</u>
	<u>2,289</u>	<u>560</u>
	Group 2021 £'000	Group 2020 £'000
Plant and machinery		
Within 1 year	189	160
Between 1 and 5 years	<u>227</u>	<u>100</u>
	<u>415</u>	<u>260</u>

The Company had no commitments under Operating Leases at 31 December 2021 (2020: £nil).

28. CONTINGENT LIABILITIES

Group

	2021 £'000	2020 £'000
Performance guarantees	283	241
Duty deferment guarantees	<u>300</u>	<u>300</u>
	<u>583</u>	<u>541</u>

The performance guarantees may be payable by the Group if, once the customer has placed an order, the Group fails to deliver goods to the customer.

The duty deferment guarantees are in place, to guarantee that the Group will meet its payments due to HM Revenue & Customs in respect of excise duty.

The Group has provided unlimited guarantees in respect of the bank loans of its subsidiaries.

£nil amounts have been provided in these financial statements in respect of guarantees above (2020: £nil).

As disclosed in note 13, some of the Company's subsidiaries have taken advantage of the exemption available under section 479A of the Companies Act in respect of their requirement for audit condition of the exemption the Company has guaranteed the year end liabilities of the subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year end was £nil (2020: £nil).

The Company had no Contingent Liabilities at 31 December 2021 (2020: £nil).

Comtec Group (International) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

29. RELATED PARTY TRANSACTIONS

During 2019, Comtec Cable Accessories Limited advanced a loan of £146,200 to J T Archer, a director of Comtec Cable Accessories Limited, repayable within one to two years of the balance sheet date at the discretion of the director. No interest accrued on the loan. During 2020, £104,100 was advanced to J T Archer. Following the change in ownership of the immediate parent (Comtec Group (International) Limited), the directors' loan account was deemed to be repaid and a new loan advanced to Financiere LCCIS SAS (part of ETC Group) the loan on balance sheet date was £250,300.

All directors and certain senior employees who have authority and responsibility for directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £721,000 (2020: £422,000).

30. CONTROLLING PARTY

On 17 July 2020, Comtec Group (International) Limited was acquired by Financiere LCCIS SAS (part of ETC Group). The intermediate parent company is Financiere LCCIS SAS and the ultimate parent company is Telemachus Holding, both companies registered in France.

The smallest group in which the results of the company are consolidated is headed by Telemachus Holding which is registered in France and the registered office address is Telemachus Holding, Zone Artisanale des Alouettes, 1 rue des Alouettes, 95600, Eaubonne, France.

The ultimate controlling party as at 31 December 2021 was CEPT IV Participations S.a.r.l SICAR (Luxembourg), a company registered in Luxembourg.