REGISTERED NUMBER: 03064044 (England and Wales)

# Group Strategic Report, Report of the Director and

# Consolidated Financial Statements for the Year Ended 31 December 2022

for

# Comtec Group (International) Limited

Comtec Group (International) Limited

Contents of the Consolidated Financial Statements
for the Year Ended 31 December 2022

**Comtec Group (International) Limited**

**Company Information**
**for the Year Ended 31 December 2022**

| | |
|---|---|
| **DIRECTORS:** | D Conway<br>R Tamburrini<br>C Varasteh |
| **SECRETARY:** | R Tamburrini |
| **REGISTERED OFFICE:** | 2 Cardinal Distribution Park<br>Godmanchester<br>Huntingdon<br>Cambridgeshire<br>PE29 2XJ |
| **REGISTERED NUMBER:** | 03064044 (England and Wales) |
| **INDEPENDENT AUDITORS:** | Constantin<br>Chartered Accountants and Statutory Auditors<br>25 Hosier Lane<br>London<br>EC1A 9LQ |

## Group Strategic Report
## for the Year Ended 31 December 2022

The Directors present strategic report of the Group and the Company for the year ended 31 December 2022.

**BUSINESS REVIEW**

INTRODUCTION
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 continuing to work toward aligning ourselves with the ETC Group of which Comtec is part of. We operate predominantly in the UK.

We continue to invest in expertise in the FTTX market where the combined resources of ETC and Comtec have achieved significant growth and where we look to add further. The FTTX market remains a key focus and aside from that, 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 13, the turnover for the year ended 31 December 2022 is £115.1 million compared to £84.0 million in the prior year. The Group saw sales increase by 37% overall, most of the growth coming from the Telecom sector. To a lesser extent, Enterprise sales also grew in 2022 and we expect growth to continue in both sectors, but more significantly in Telecom.

Our Managed Service business continues to make great strides in meeting the demands of Altnets (Alternative Network Providers) in building Fibre networks nationwide. We continually review our resources ensuring we are structured accordingly to capitalise on opportunities and the significant investment in the FTTX market.

While our Distribution business continues to face strong competition, we continue to invest in the space to ensure we are positioned at the top tier of the market. We continue to evaluate other major brands with the view to adding to our already extensive offering with a target of establishing ourselves as the 'go-to' option for customers.

Operating Profit of £6.3 million for the year ended 31 December 2022 compares with £5 million in the prior year. At 24% this is higher than the prior year but does not include exceptional costs associated with management incentive schemes. Generally, it is a solid result reflecting the great efforts made by management and staff in achieving great results in a developing market. Administrative expenses are higher at £16.9 million for the year ended 31 December 2022, a 2.7% increase as a percentage of sales in the year.

The business has seen regular growth in sales year on year and this year has seen sales growth of c.37%. This reflects our consistent focus on maintaining a proposition which reflects the needs of our customers, and our dynamic approach in optimising resource where we see new opportunity or changes in the market.

BUSINESS ENVIROMENT
It is our view that UK markets have much lower concerns regarding Covid and Brexit. While both issues rate less highly in media attention and Government advice, the business has not been materially impacted by either event and continues to benefit from new opportunities and its strong long-term funnel of business.

More recently, the impact on businesses and individuals as a consequence of the Russia-Ukraine war has become an issue for many in terms of higher energy costs and increased pricing of other consumables. Apart from these indirect elements which affect many to some degree, Comtec has not suffered any direct impact.

## BUSINESS MODEL

### OPERATIONAL

Our strategy is to build on existing work streams and focus on improving efficiencies and motivation of the Comtec team. We are conscious of ensuring we maintain adequate resources for today's business as well as future years.

Our ambitious plans to grow the business significantly in the near term are already underway. We have secured a new site providing significantly larger warehouse space as well as office accommodation with room for expansion. This will ensure we are well placed to deliver exceptional service to our customers in all sectors of the market in the coming years.

The operations teams are grouped into core functions including Customer Service, 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.

### KEY PERFORMANCE INDICATORS

Financial KPIs are reported to the management team monthly together with analysis of variances to budget. Other KPIs, such as customer service levels are also monitored and reported to the management team regularly through the year.

Financial KPI's for the Group are turnover of £115.1 million this year vs £84.0 million in the prior year and gross profit margin of 20.1% this year compared to 18.0% in the prior year.

## 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 Parent Company ETC Group and Lloyds Bank PLC. 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 the Comtec Group (International) Limited 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
The Group's 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. Daily exchange rate movements are monitored, and any losses or gains are reported in the Group's internal management information. Consideration is given to utilising financial instruments such as hedging and forward purchase contracts. No such instruments are currently in place, and none were in place during 2022.

FUTURE PROSPECTS
The Directors believe that the UK communication industry will continue to grow strongly through 2023 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.

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.

## 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 Group's engagement with customers includes close relationships with key account managers, corporate hospitality as well as engagement through social media and the Group'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 Group also seeks to support the charity endeavours 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 and local 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.

ENVIRONMENTAL IMPACT
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 Group'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.

The Group policy on vehicle selection for its small fleet of leased vehicles includes a cap on permissible Co2 emissions, thereby reducing our use of fossil fuel vehicles. Currently, 43% of our leased vehicles are fully electric and 52% hybrid. The remaining 5% relate to commercial diesel vehicles, selected for operational needs.

IMPACT OF COVID-19
Following the extensive roll-out of vaccination in the UK, the Group has adapted its measures accordingly and in-line with Government guidelines. We continue 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 whether in relation to Covid-19 or other factors which may affect operations, we continue to monitor changes in rules or guidelines and adapt our business practices accordingly. We are mindful of the potential difficulties placed on our staff from time to time and recognise it is their dedication and continued efforts which put the Group 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:**

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R Tamburrini - Director

Date: 17 July 2023

**Comtec Group (International) Limited**

**Report of the Directors**
**for the Year Ended 31 December 2022**

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2022.

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.

**REVIEW OF BUSINESS**
The profit for the year, before taxation, amounted to £6.0m (2021: £4.3m).

**DIVIDENDS**
There were no dividends paid during the year of 2022 (2021: 12k).

**DIRECTORS**
The following directors have held office during the whole of the period from 1 January 2022 to the date of this report:

D Conway

Other changes to directors:

J S Buck (Resigned on 30 September 2022)
J T Archer (Resigned on 1 February 2023, after the year-end, but prior to the date of this report)
R Tamburrini (Appointed on 28 June 2023, after the year-end, but prior to the date of this report)
C Varasteh (Appointed on 28 June 2023, after the year-end, but prior to the date of this report)

**POST BALANCE SHEET EVENTS**
There were no post-balance sheet events that occurred until the date of the issuance of the financial statements that would require adjustments to or disclosure in the financial statements for the year ended 31 December 2022.

**GOING CONCERN**
The Group's business activities and future developments are included within the Business review on page 2. Included within the Strategic Report on pages 2 to 6 are a description of the Group's financial position and its approach to price, credit, liquidity and currency risk.

The financial statements have been prepared using the going concern basis of accounting as no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern have been identified by the directors and a letter of support has been provided by the group.

<u>CONFIDENTIAL INVOICE DISCOUNTING FACILITY</u>
The Group is funded on a day-to-day basis through a confidential invoice 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.

<u>DILAPIDATIONS</u>
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 2022.

<u>OTHER FACTORS</u>
There is always some uncertainty when preparing business forecasts, and the Directors recognise that events such as 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 align itself with new guidelines, the Directors do not believe that uncertainty to be material or cast significant doubt over the Group'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.

**FUTURE DEVELOPMENTS**
The Directors do not foresee any significant developments in the business over the coming year.

**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 Group'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**
No qualifying third-party indemnity provisions for the benefit of the Directors were made during the year.

**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:

| | 2022 | 2021 |
|---|---|---|
| Energy use from gas (kWh) | 111,362 | 100,827 |
| Energy use from transport (kWh) | 212,214 | 179,788 |
| Energy use from purchased electricity (kWh) | 313,784 | 331,701 |
| **Total Energy use (kWh)** | **637,360** | **612,316** |
| Scope 1 GHG (kg CO2e) - Direct emissions (gas and transport) | 83,780 | 72,657 |
| Scope 2 GHG (kg CO2e) - Indirect emissions (electricity- location based) | 72,497 | 76,636 |
| **Total GHG (kg CO2e)** | **156,277** | **149,293** |
| **Intensity Ratio (kg CO2e per £'000 UK revenue)** | **1.57** | **2.02** |

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 Group'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:**

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R Tamburrini - Director

Date: 17 July 2023

## 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 2022 and of the group's profit 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 statement of cash flows;
- the consolidated and parent company statements of changes in equity;
- the related notes 1 to 31, 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.

**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.

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

**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: 17 July 2023

## Comtec Group (International) Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **TURNOVER** | 4 | 115,122 | 84,040 |
| Cost of Sales | | (91,931) | (68,899) |
| **GROSS PROFIT** | | 23,191 | 15,141 |
| Administrative expenses | | (16,932) | (10,102) |
| | | 6,259 | 5,039 |
| Other operating income | 7 | 20 | 8 |
| **OPERATING PROFIT** | 8 | 6,279 | 5,047 |
| Exceptional items | 11 | - | (615) |
| Interest receivable and similar income | | - | 1 |
| | | 6,279 | 4,433 |
| Interest payable and similar expenses | 9 | (266) | (142) |
| **PROFIT BEFORE TAXATION** | | 6,013 | 4,291 |
| Tax on profit | 10 | (1,267) | (1,043) |
| **PROFIT FOR THE FINANCIAL YEAR** | | 4,746 | 3,248 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Exchange differences on translation of foreign operations | | 861 | 55 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 5,607 | 3,303 |
| Profit attributable to: | | | |
| Owners of the parent | | 5,607 | 3,303 |

The notes form part of these financial statements

## Consolidated Statement of Financial Position
## as at 31 December 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 11 | 695 | 330 |
| Tangible assets | 12 | 704 | 760 |
| | | 1,399 | 1,090 |
| **CURRENT ASSETS** | | | |
| Stocks | 14 | 29,784 | 21,508 |
| Debtors: amounts falling due within one year | 15 | 22,022 | 14,960 |
| Cash at bank | 16 | 2,576 | 2,058 |
| | | 54,382 | 38,526 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 17 | (34,814) | (23,874) |
| **NET CURRENT ASSETS** | | 19,568 | 14,652 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 20,967 | 15,742 |
| **CREDITORS** | | | |
| Amounts falling due after more than one year | 18 | (189) | (212) |
| **DEBTORS** | | | |
| Debtors: amounts falling due after more than one year | 15 | 80 | 69 |
| **PROVISIONS FOR LIABILITIES** | 22 | (281) | (629) |
| **NET ASSETS** | | 20,577 | 14,970 |
| **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 | 18,974 | 13,367 |
| | | 20,577 | 14,970 |

The financial statements were approved by the Board of Directors and authorised for issue on ...17 July 2023............... and were signed by:

.........................................................................
R Tamburrini - Director

The notes form part of these financial statements

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

**Company Statement of Financial Position**
**as at 31 December 2022**

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 13 | 3,225 | 3,225 |
| | | 3,225 | 3,225 |
| **CURRENT ASSETS** | | | |
| Stocks | 14 | - | - |
| Debtors | 15 | - | - |
| Cash at bank | 16 | - | - |
| | | - | - |
| **CREDITORS** | | | |
| Amounts falling due within one year | 17 | (298) | (1,098) |
| **NET CURRENT ASSETS** | | (298) | (1,098) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,927 | 2,127 |
| **CREDITORS** | | | |
| Amounts falling due after more than one year | 18 | - | - |
| **PROVISIONS FOR LIABILITIES** | 22 | - | - |
| **NET ASSETS** | | 2,927 | 2,127 |
| **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 | 1,324 | 524 |
| | | 2,927 | 2,127 |
| Company's profit/(loss) for the financial year | | 800 | (884) |

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2023................ and were signed by:

.........................................................................
R Tamburrini - 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 2022

| | Called up share capital £'000 | Retained earnings £'000 | Share premium £'000 | Capital redemption reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2021** | 160 | 10,076 | 1,215 | 228 | 11,679 |
| **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 |
| Transfer on cancellation of shares | - | - | - | - | - |
| Repurchase and cancellation of shares | - | - | - | - | - |
| **Balance at 31 December 2021** | 160 | 13,367 | 1,215 | 228 | 14,970 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | - | 4,746 | - | - | 4,746 |
| Currency translation differences | - | 861 | - | - | 861 |
| Dividends paid | - | - | - | - | - |
| **Total comprehensive income for the year** | - | 5,607 | - | - | 5,607 |
| **Balance at 31 December 2022** | 160 | 18,974 | 1,215 | 228 | 20,577 |

The notes form part of these financial statements

## Company Statement of Changes in Equity for the Year Ended 31 December 2022

| | Called up share capital £'000 | Retained earnings £'000 | Share premium £'000 | Capital redemption reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2021** | 160 | 1,407 | 1,215 | 228 | 3,010 |
| **Comprehensive income for the year** | | | | | |
| Loss for the year | - | (884) | - | - | (884) |
| **Total comprehensive income for the year** | - | (884) | - | - | (884) |
| Transfer on cancellation of shares | - | - | - | - | - |
| Repurchase and cancellation of shares | - | - | - | - | - |
| **Balance at 31 December 2021** | 160 | 524 | 1,215 | 228 | 2,127 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | - | 800 | - | - | 800 |
| **Total comprehensive income for the year** | - | 800 | - | - | 800 |
| **Balance at 31 December 2022** | 160 | 1,324 | 1,215 | 228 | 2,927 |

The notes form part of these financial statements

## Comtec Group (International) Limited

## Consolidated Statement of Cash Flow
## for the Year Ended 31 December 2022

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | 4,746 | 3,248 |
| Adjustments for: | | |
| Amortisation of intangible assets | 53 | 794 |
| Depreciation of tangible assets | 297 | 304 |
| Gain on sale of investments | (6) | (8) |
| FX adjustment on translation of foreign subs | 861 | - |
| Interest paid | 266 | 143 |
| Interest received | - | (1) |
| Taxation charge | 1,267 | 1,043 |
| (Increase)/decrease in stocks | (8,277) | (7,604) |
| (Increase)/decrease in debtors | (6,610) | (1,964) |
| Increase/(decrease) in creditors | 13,932 | 3,719 |
| Corporation tax paid | (1,786) | (1,089) |
| **Net cash (used in)/generated from operating activities** | 4,743 | (1,415) |
| **Cash flows from investing activities** | | |
| Purchase of intangible fixed assets | (431) | (304) |
| Purchase of tangible fixed assets | (254) | (200) |
| Sale of tangible fixed assets | 20 | 10 |
| Sale of investment assets | - | 44 |
| Interest received | - | 1 |
| **Net cash from investing activities** | (665) | (449) |
| **Cash flows from financing activities** | | |
| Confidential invoice discounting | (3,288) | 2,463 |
| Repayment of loans | - | (75) |
| Repayment of/new finance leases | (17) | (22) |
| Dividends paid | - | (12) |
| Interest paid | (266) | (143) |
| Repurchase of own shares | - | - |
| **Net cash used in financing activities** | (3,571) | 2,211 |
| **Net increase/(decrease) in cash and cash equivalents** | 508 | 347 |
| Cash and cash equivalents at beginning of the year | 2,058 | 1,735 |
| Exchange gains/(losses) on cash and cash equivalents | 10 | (24) |
| **Cash and cash equivalents at the end of year** | 2,576 | 2,058 |
| **Cash and cash equivalents at the end of year comprise** | | |
| Cash at bank and in hand | 2,576 | 2,058 |
| | 2,576 | 2,058 |

The notes form part of these financial statements

## 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 2 Cardinal Distribution Park, Godmanchester, Huntingdon, Cambridgeshire, PE29 2XJ. 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 Group 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 2. Included within the Strategic Report on pages 2 to 6 are a description of the Group's financial position and its approach to price, credit, liquidity and currency risk.

The financial statements have been prepared using the going concern basis of accounting as no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern have been identified by the directors and a letter of support has been provided by the group.

<u>Confidential invoice discounting facility</u>
The Group is funded on a day-to-day basis through a confidential invoice 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.

<u>Dilapidations</u>
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 2022.

2. **ACCOUNTING POLICIES – continued**

Other factors
There is always some uncertainty when preparing business forecasts, and the Directors recognise that events such as 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 align itself with new guidelines, the Directors do not believe that uncertainty to be material or cast significant doubt over the Group'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.

**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 acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised 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 Group 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.

2. **ACCOUNTING POLICIES - continued**

**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 Group 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.

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.

## 2. ACCOUNTING POLICIES - continued

**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.

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 Group 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.

2. **ACCOUNTING POLICIES - continued**

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.

**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 Group. 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.

2. **ACCOUNTING POLICIES - continued**

**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.

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 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.

**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 2022.

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 Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group'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.

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

**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 £899,000 as at 31 December 2022 (2021: £633,000) for slow moving and obsolete stock based on their knowledge of the stock lines.

**Aged debts**
Management have included an aged debt provision within the financial statements as at 31 December 2022 after reviewing each trade debtor outstanding at the year-end identifying those where known issues exist. The provision totalled £909,000 as at 31 December 2022 (2021: £553,000).

## 4. TURNOVER

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

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Sales of goods | 114,994 | 83,812 |
| Managed services | 128 | 229 |
| | 115,122 | 84,041 |

Analysis of turnover by country of destination:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 99,607 | 73,134 |
| Middle East | 11,511 | 7,456 |
| Far East | 3,580 | 3,068 |
| Rest of the World | 424 | 383 |
| | 115,122 | 84,041 |

## 5. EMPLOYEES AND DIRECTORS

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

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Wages and salaries | 10,281 | 5,116 |
| Social security costs | 1,042 | 480 |
| Cost of defined contribution scheme | 102 | 91 |
| Redundancy costs | 42 | 14 |
| | 11,467 | 5,700 |

## 5. EMPLOYEES AND DIRECTORS – continued

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

| | 2022<br>No. | 2021<br>No. |
|---|---|---|
| Management | 10 | 12 |
| Sales | 58 | 34 |
| Warehousing and shipping | 74 | 83 |
| Administration | 38 | 38 |
| | 180 | 167 |

| | 2022<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Directors' emoluments | 2,961 | 411 |
| Company contribution to defined contribution pension schemes | 6 | 6 |
| | 2,967 | 417 |

During the year retirement benefits were accruing to 1 directors (2021: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,973k (2021: £210k).

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 (2021: £6,000).

Directors remuneration includes a credit of £nil (2021: £nil) arising from the release of unpaid bonus accruals from previous years that were waived in the year.

## 6. AUDITORS' REMUNERATION

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Fees payable to the Group's auditors and its associates for the audit of the Group's annual financial statements | 108 | 104 |

## 7. OTHER OPERATING INCOME

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Grant income | 14 | - |
| Other income | 6 | 8 |
| | 20 | 8 |

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:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Depreciation of owned tangible fixed assets | 283 | 240 |
| Depreciation of finance leased tangible fixed assets | 14 | 62 |
| Profit of disposal of fixed assets | (6) | - |
| Amortisation of intangible assets, including goodwill | 57 | 64 |
| Exchange differences | 394 | 120 |
| Operating lease rentals – land and buildings | 827 | 736 |
| Operating lease rentals – other | 205 | 231 |

## 9. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Bank interest payable | 242 | 127 |
| Unwind of discount on provisions | 20 | 12 |
| Other interest payable | 4 | 4 |
| | 266 | 143 |

## 10. TAXATION

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

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Current tax: | | |
| UK corporation tax | 993 | 843 |
| Adjustments in respect of previous periods | (65) | - |
| Total current tax | 928 | 843 |
| Foreign tax: | | |
| Foreign tax on income for the year | 194 | 130 |
| Total foreign tax | 194 | 130 |
| Deferred tax: | | |
| Original and reversal of timing differences | 59 | 70 |
| Adjustment in respect of prior periods | 68 | - |
| Impact of changes in tax rate | 18 | - |
| Total deferred tax | 145 | 70 |
| Tax on profit | 1,267 | 1,043 |

**Factors affecting tax charge for the year**
The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Profit on ordinary activities before tax | 6,013 | 4,291 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%) | 1,142 | 815 |
| Effects of: | | |
| Expenses not deductible for tax purpose | 260 | 326 |
| Fixed asset ineligible depreciation/amortisation | (21) | 32 |
| Impact of overseas tax rates | (194) | (130) |
| Impact of change in rate of deferred tax | 18 | - |
| Adjustments to tax charge in respect of previous periods | (65) | - |
| Adjustments to deferred tax charge in respect of prior periods | 127 | - |
| Income not subject to tax | - | - |
| Total tax charge for the year | 1,267 | 1,043 |

## 10. TAXATION – continued

Finance Act 2020, which was substantively enacted on 11 March 2020, maintained the corporation tax rate at 19% until 31 March 2023.

Finance Act 2021, which was substantively enacted on 24 May 2021, has enacted an increase in the UK corporation tax main rate to 25% from 1 April 2023.

As this rate change had been substantively enacted before the balance sheet date, the closing deferred tax assets and liabilities have been calculated at 25%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

## 11. INTANGIBLE FIXED ASSETS

**Group**

| | Software £'000 | Goodwill £'000 | Negative goodwill £'000 | Total £'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2022 | 601 | 4,246 | (26) | 4,821 |
| Additions | 431 | - | - | 431 |
| Disposals | (13) | - | - | (13) |
| At 31 December 2022 | 1,019 | 4,246 | (26) | 5,239 |
| **AMORTISATION** | | | | |
| At 1 January 2022 | 271 | 4,246 | (26) | 4,491 |
| Charge for the year | 53 | - | - | 53 |
| At 31 December 2022 | 324 | 4,246 | (26) | 4,544 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2022 | 695 | - | - | 695 |
| At 31 December 2021 | 330 | - | - | 330 |

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 2022 | 675 | 298 | 57 | 1,139 | 2,169 |
| Additions | 19 | 46 | 4 | 165 | 234 |
| Disposals | - | - | (22) | (4) | (26) |
| Currency conversion gain/(loss) | - | 6 | 3 | 39 | 48 |
| At 31 December 2022 | 694 | 350 | 42 | 1,339 | 2,425 |
| **DEPRECIATION** | | | | | |
| At 1 January 2022 | 559 | 137 | 26 | 687 | 1,409 |
| Charge for the year | 35 | 39 | 12 | 211 | 297 |
| Elimination of depreciation on disposals | - | - | (13) | (1) | (14) |
| Currency conversion gain/(loss) | - | 3 | - | 26 | 29 |
| At 31 December 2022 | 594 | 179 | 25 | 923 | 1,721 |
| **NET BOOK VALUE** | | | | | |
| At 31 December 2022 | 100 | 171 | 17 | 416 | 704 |
| At 31 December 2021 | 116 | 161 | 31 | 452 | 760 |

The net book value of tangible fixed assets, office equipment fixtures and fittings includes an amount of £70,000 (2021: £62,000) in respect of assets held under finance leases and hire purchases contracts. Depreciation on these assets is £28,000 (2021: £107,000).

## 13. FIXED ASSET INVESTMENTS

**Company**

| | Investments in subsidiary companies £'000 |
|---|---|
| **COST** | |
| At 1 January 2022 | 3,225 |
| Impairment | - |
| Disposals | - |
| At 31 December 2022 | 3,225 |
| **NET BOOK VALUE** | |
| At 31 December 2022 | 3,225 |
| At 31 December 2021 | 3,225 |

| 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% |

13. **FIXED ASSET INVESTMENTS – continued**

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 2022.

14. **STOCKS**

| | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Goods and goods for resale | 29,784 | 21,508 |

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

An impairment of £266,000 (2021: £47,000) 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 2022 (2021: £nil).

15. **DEBTORS**

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Amount falling due within one year: | | | | |
| Trade debtors | 20,867 | 14,220 | - | - |
| Amounts owed by parent undertakings | - | 251 | - | - |
| Other debtors | 735 | 291 | - | - |
| Prepayments and accrued income | 389 | 176 | - | - |
| Deferred taxation | 31 | 23 | - | - |
| | 22,022 | 14,960 | - | - |
| Amounts falling due after more than one year: | | | | |
| Other debtors | 80 | 69 | - | - |

Deferred tax asset:

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Deferred tax | 31 | 23 | - | - |

An impairment of £356,000 (2021: £224,000) was recognised in the profit or loss during the year, and a provision of £909,000 (2021: £553,000) is set against trade debtors above.

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

## 16. CASH AND CASH EQUIVALENTS

| | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Cash at bank and in hand | 2,576 | 2,058 |

The Company had no Cash and Cash Equivalents at 31 December 2022 (2021: £nil).

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Confidential invoice discounting facility | 2,351 | 5,639 | - | - |
| Trade creditors | 22,989 | 14,488 | - | - |
| Amounts owed to group undertakings | - | - | 298 | 1,098 |
| Amounts owed to parent undertakings | 1,250 | - | - | - |
| Corporation tax | 163 | 317 | - | - |
| Deferred tax liability | 144 | 35 | - | - |
| Other taxation and social security | 3,174 | 1,814 | - | - |
| Finance lease | 17 | 17 | - | - |
| Other creditors | 2 | - | - | - |
| Accruals and deferred income | 4,868 | 1,565 | - | - |
| | 34,958 | 23,874 | 298 | 1,098 |

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 £1,250,000 (2021: £112,000) and the balances of interest free. There were no intergroup loans in 2022 (2021: £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 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Finance leases | 14 | 31 |
| Other creditors | 175 | 181 |
| | 189 | 212 |

The Company had no Creditors which are falling due after more than one year at 31 December 2022 (2021: £nil).

## 19. LOANS AND BORROWINGS

| | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Confidential invoice discounting facility | 2,315 | 5,639 |
| Bank loans | - | - |
| Finance leases | 17 | 17 |
| | 2,332 | 5,656 |

| | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Amounts falling due between 1-5 years: | | |
| Finance leases | 14 | 31 |
| | 14 | 31 |
| | 2,382 | 5,687 |

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

The Company had no Loans and Borrowings at 31 December 2022 (2021: £nil).

## 20. FINANCE LEASES

| | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|
| Within one year | 17 | 17 |
| Between 1-5 years | 14 | 31 |
| Over 5 years | - | - |
| | 31 | 48 |

The finance leases relate to 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 2022 (2021: £nil).

## 21. DEFERRED TAXATION

**Group**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| At beginning of year | (12) | 45 |
| Charge to profit or loss | (136) | (57) |
| | (148) | (12) |

The deferred tax asset is made up as follows:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Accelerated capital allowances | (238) | (91) |
| Tax losses carried forward | 90 | 79 |
| | (148) | (12) |

The Company had no Deferred Taxation at 31 December 2022 (2021: £nil).

## 22. PROVISIONS FOR LIABILITIES

**Group**

| | Dilapidation provision £'000 |
|---|---|
| At 1 January 2022 | 629 |
| Charge to profit or loss | 38 |
| At 31 December 2022 | 667 |

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 2022 (2021: £nil).

## 23. CALLED UP SHARE CAPITAL

**Group**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 160,014 (2021: 160,014) Ordinary shares at £1 per share | 160 | 160 |

**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 (2021: 50,000 shares) were cancelled and repurchased during the financial year.

## 23. CALLED UP SHARE CAPITAL - continued

**Company**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 160,014 (2021: 160,014) Ordinary shares at £1 per share | 160 | 160 |

## 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 2022 £'000 | Cash flows £'000 | At 31 December 2022 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 2,058 | 518 | 2,576 |
| Confidential invoice discounting | (5,639) | 3,288 | (2,351) |
| Finance leases | (49) | 18 | (31) |
| | (3,630) | 3,824 | 194 |

The Company had no Debt at 31 December 2022 (2021: £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 £102,000 (2021: £91,000). Contributions totalling £24,000 (2021: £22,444) were payable to the fund at the reporting date and are included in creditors.

## 27. COMMITMENTS UNDER OPERATING LEASES

**Group**

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Land and buildings** | | |
| Within 1 year | 1,364 | 704 |
| Between 1 and 5 years | 3,448 | 1,585 |
| Over 5 years | 147 | - |
| | 4,959 | 2,289 |

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Plant and machinery** | | |
| Within 1 year | 165 | 189 |
| Between 1 and 5 years | 198 | 227 |
| | 363 | 415 |

The Company had no commitments under Operating Leases at 31 December 2022 (2021: £nil).

## 28. CONTINGENT LIABILITIES

**Group**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Performance guarantees | 669 | 283 |
| Duty deferment guarantees | 300 | 300 |
| | 969 | 583 |

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 (2021: £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 as a 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 (2021: £nil).

The Company had no Contingent Liabilities at 31 December 2022 (2021: £nil).

## 29. RELATED PARTY TRANSACTIONS

During 2019, Comtec Group (International) 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 Financlere 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 £4,557,000 (2021: £721,000).

## 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 2022 was Cineos Topco S.a.r.l (Luxembourg), a company registered in Luxembourg.

## 31. POST BALANCE SHEET EVENTS

There were no post-balance sheet events 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 2022.