

EMTELLE UK LIMITED
Directors' report and financial statements
For the year ended 31 December 2021
Registration number SC079486

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EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Contents and statutory information

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Directors

A Rodgers

W Rae

K Anderson

J Campbell

Company secretary

Dentons Secretaries Limited

Independent auditor

BDO LLP

65 Haymarket Terrace

Edinburgh

EH12 5HD

Bankers

HSBC UK Bank plc

Scotland Corporate Banking Centre

1 West Regent Street

Glasgow

G2 1RW

Solicitors

Dentons

1 George Square

Glasgow

G2 1AL

Registered office

Haughhead

Hawick

Scottish Borders

Scotland

TD9 8LF

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Directors' report

The directors submit their annual report and audited financial statements for the year ended 31 December 2021.

Directors

The directors who held office during the year and up to the date of this report were:

A Rodgers
W Rae
L McMinimee (resigned 14 July 2021)
K Anderson (appointed 1 December 2021)
J Campbell (appointed 1 August 2021)

Principal activities

Emtelle UK Limited's principal activities are to manufacture and sell PVC and polyethylene ducting solutions and blown fibre tubing.

Results and dividends

The results for the year are set out on page 12. The profit for the year after taxation amounted to £20,793k (2020: £26,524k). A dividend of £12,406k was paid during the year (2020: £19,433k). There was also a distribution of £27,764k (2020: £nil) following a reorganisation of the Statement of Financial Position, which is explained further in the Strategic Report. A full business review is included within the 'Analysis of performance and position of the business and future developments' section in the Strategic Report.

Going concern

The company's principal business activities and the financial position of the company, together with the factors that are likely to affect its future development, performance and financial position are set out in the strategic report.

The directors have considered the overall impact of COVID-19 and the Russian invasion of Ukraine on the company and this is set out within the Strategic Report. Management prepared detailed reforecasts, taking into account the potential affect of COVID-19 on its workforce and other stakeholders, projected revenue and cash generation, projected costs (taking account of mitigation available), and working capital requirements. The directors, having considered the forecasts, cash resources and facilities, have concluded that there is no material uncertainty arising in relation to going concern. Under all scenarios, the forecasts demonstrated that the company could operate within its available funding arrangements. Accordingly, as there is a reasonable expectation that there will be adequate resources to continue in operational existence for the foreseeable future and to meet obligations as they fall due, the directors continue to adopt the going concern basis in preparing the financial statements.

Energy and carbon report

The company has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and have used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

The table below summarises the GHG emissions for reporting year: 1st January 2021 to 31st December 2021. As a business we have been assessing our carbon emissions since 2016, this is the third year that the energy consumption (kWh) has been calculated for SECR. We have also provided the SECR baseline year and last year's assessment results for comparison.

Scope	Activity	2019 (SECR Baseline)	2020	2021
Scope 1	Site gas oil	194.07	189.46	255.58
	Site propane	143.75	241.65	208.06
	Company car travel	67.94	39.08	23.26
	Van travel and distribution	8.70	7.34	8.27
Scope 1 Sub Total		414.46	477.53	495.17
Scope 2	Electricity generation	4,535.94	4,501.04	4,803.71
Scope 2 Sub Total		4,535.94	4,501.04	4,803.71
Scope 3	Grey Fleet	0.00	0.83	0.00
Scope 3 Sub Total		0.00	0.83	0.00
Total tonnes of CO ₂ e		4,950.40	4,979.40	5,298.87
Tonnes of CO ₂ e per employee		17.31	15.81	14.06
Tonnes of CO ₂ e per £M turnover		39.60	39.46	32.13
Total Energy Consumption (kWh)*		19,567,969	21,419,665	24,751,267

We are delighted to be able to show that despite the overall emissions increasing due to growth, we have reduced our greenhouse gas emissions annually relative to our two KPIs, turnover and employee numbers. This has been achieved by implementing several energy and carbon savings measures. The total energy consumption has increased year on year as the business has grown but performance has improved year on year with a continued reduction in carbon (CO₂e) per tonne of product and per employee. This has been achieved by new equipment, improved yield, line efficiency and improved product cooling.

EMTELLE UK LIMITED

For the year ended 31 December 2021

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Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic report and the 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

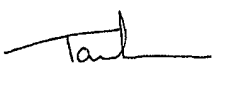
Each of the persons who are directors at the time when the directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' indemnities

The company maintains liability insurance for its directors and officers. This includes a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. This was in force during the financial year and also at the date of approval of the financial statements.

By order of the board



A Rodgers
Director

25 May 2022

EMTELLE UK LIMITED

For the year ended 31 December 2021

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Strategic report

Review of the business

Emtelle UK Limited operates in a competitive and growing market.

The business continues to face constant and ongoing challenges. This includes the phasing and cyclical nature of project sales, volatility in raw material prices and volatility in exchange rates. Management remains focused on ensuring the company remains competitive in the domestic and international markets.

Analysis of performance and position of the business and future developments

During 2021, turnover increased by 30.7%, from £126.2m to £164.9m. The increase in turnover reflects the status of the market in the UK and target geographies being serviced by the UK manufacturing operations. The market demand is increasing due to the speed and intensity of telecommunications providers building blown fibre networks. Our product offering to the power market has also seen increased demand driven by infrastructure investment in power and renewable energy sources. Additional manufacturing capacity was invested in during the year at our Jedburgh site, following the purchase of the site in 2020.

While there has been strong growth in turnover, there have been significant challenges during 2021 across our cost base. Raw material costs within cost of sales have increased by 53.4%, which is higher than the 30.7% increase in turnover. For PVC, the indices increased by approximately 50% between January 2021 and December 2021, while for P/E the increase was approximately 45% in the same period. The costs increases follow a year where we saw price reductions during 2020, exacerbating the impact when comparing performance year on year between 2020 and 2021. Production labour and overhead costs have also increased, with production overheads increasing by 38% year on year, primarily driven by electricity cost increases which have been well documented in the media.

We have not been able to recover these costs at the same rate or level at which the underlying costs are increasing. Due to the nature of sales agreements and contracts, there is always a time delay between assessing the expected level and duration of increased input prices and the negotiation of onwards sales prices and implementation of those.

2021 also saw significant challenges in distribution costs, with costs increasing by 58.3% from £7.6m to £12.0m. COVID has affected the availability and pricing of logistics both domestically and internationally. In the UK, the HGV driver shortage during 2021 was well documented in the press. Internationally, the cost of shipping containers has quadrupled in certain areas with containers and ships being in the wrong locations - this has been caused by a number of factors including port restrictions due to COVID and the Suez Canal blockage.

Administrative expenses increased by 19.1% from £9.6m to £11.4m as we invested in our people, with staff costs being the largest contributor to the increase.

The implication of a rising cost basis and a time delay in recovering a portion of these has been a lengthening of the working capital cycle. Inventory has increased by 70.5% from £8.6m to £14.6m, driven by both increased input costs (raw material, production labour and overheads) and also investment in additional volume, and has resulted in an increase in inventory days as it takes longer to convert the raw materials to finished goods, with finished goods also representing a higher percentage of turnover. Trade debtors have also increased, by 40.1% from £17.5m to £24.5m. This is consistent as a percentage of third party sales, but represents a small increase in the debtors days. While trade creditors have increased 53.6% from £13.0m to £19.9m, this is consistent as a percentage of cost of sales as we seek to ensure security of supply for the production process.

During 2021, the opportunity was taken to carry out a reorganisation of the Statement of Financial Position. Intercompany loans from the company of £27.7m were formally waived by deed of release and were accordingly treated as distributions. This had no cash impact on the company but has changed the shape of the Statement of Financial Position.

The key performance indicators the business measures for its success are material margin and also EBITDA. These are tracked on a monthly basis and actual performance is compared to both the budget and the prior year.

The challenges throughout 2021 continue to be experienced in Q1 FY2022, with the geopolitical events resulting in further upward pressures on input costs at all levels across raw materials, energy and distribution. However, performance in Q1 FY2022 has been better than expectation with turnover and profitability being ahead of budget. We learned from experience in 2021 and have been able to react more quickly to protect the profitability and bottom line performance. The outlook for the year ended 31 December 2022 remains strong and we expect to see further growth on turnover and an improvement in profitability compared with 2021.

During 2022 the investment in additional capacity at Jedburgh will be completed, with the full benefits of this starting to come through in the second half of the year. A third UK manufacturing facility in Wrexham to add capacity focussed on the UK telecommunications market is also being opened, with production commencing at the end of Q2.

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Strategic report (continued)

Impact of BREXIT

The UK secured a trade deal on 24 December 2020 that allowed UK businesses to continue tariff-free trade with its EU neighbours, albeit with slightly different rules than were previously in place. In the early part of 2021, following the UK's departure from Europe there were some delays for UK manufactured goods being exported to Mainland Europe while everyone learned the new ways of working, and Emtelle were no different from these other UK businesses.

To mitigate the impact of BREXIT to Emtelle and its customers, we developed a supply chain network to ensure continuity of supply for our UK manufacturing plants. The implications of our contractual commitments to all major customers ensures we have security of supply of key raw materials across several countries and are not reliant upon European Suppliers for our 3 key raw materials. The two manufacturing plants in Germany and Denmark are primarily unaffected as materials are or can be sourced from Mainland Europe.

As we have been sourcing materials from many countries in recent years, as well as from mainland UK suppliers, we are proficient in managing risk with regards to customs procedures, currency fluctuations and import duties, though BREXIT has increased the administrative cost of doing business.

COVID-19

With almost two year's experience behind us, it would be fair to say that the Emtelle Group has proven its resilience amid the ravages of this global pandemic. This will, however, not make us in any way complacent to its ongoing impact on the business. We are vigilant to any changes in government guidelines or statuses across geographical boundaries that may affect our business.

Throughout 2021, we saw disruption to distribution networks and manufacturing operations as a result of COVID-19 related illness, however, as demonstrated by our financial performance, this has not had a catastrophic impact on the business, as we, like many other businesses, have learned to monitor and navigate the changing landscape. We continue to take all risk mitigation measure that could be reasonably expected or required and remain confident of our resilience.

Nobody knows the length of disruption that may be caused by COVID-19, but, as we move through 2022, the risk of COVID-19 disruption can reasonably be expected to recede as many governments downgrade from pandemic to endemic status and restrictions are lifted as the threat from the virus subsides.

As noted above, trading in Q1 2022 has been robust and the economic outlook for our products remains strong.

Russian invasion of Ukraine

In February 2022, Russia launched a military invasion of Ukraine. This has resulted in a rise in global commodity, energy and logistics costs. We do not have any direct customer or supplier relationships in Russia but are impacted by the knock on increases in raw materials, energy and distribution costs. As we demonstrated throughout 2021 where raw materials rose significantly throughout the year, we expect our performance to be resilient.

While the duration of the invasion cannot be predicted at this time, we are closely monitoring our cost base and are taking all mitigation measures that could be reasonably expected or required. We are currently confident that the invasion will not have a catastrophic impact on our business as it may have on other areas of the economy.

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Strategic report (continued)

Future outlook

The outlook for the business is positive, despite the challenges in the economic climate and volatility of raw material prices.

Financial instruments

The company's policy is to finance activities through the use of intercompany balances at fixed interest rates. The company does not actively use any other financial instruments as part of its financial risk management. The directors have considered the interest rate risk on the intercompany balances and are content with the strategy for managing this risk.

Principal risks and uncertainties

Emtelle UK Limited's corporate governance structure is designed to oversee the management of the risks inherent in conducting business. Internal processes, systems, structures and procedures are designed to manage these risks to ensure financial integrity and legislative compliance.

The directors have identified a number of principal risks and uncertainties:

- uncertain economic climate - addressed by continuing focus on material margins, gross margins and tight controls on overheads;
- competition - this is addressed through an on-going programme of innovation and product improvement, combined with increased attention to quality and customer service; and
- dependence on major contracts - addressed by strong on-going customer relationships and continuing to decrease our individual customer dependency.

Financial risk management:

- raw material price inflation - addressed by back to back contracts whenever possible and regular reviews of sales prices. The company is also in a position to take advantage of opportunities on the world spot market;
- credit risk - addressed by tight credit control procedures. This includes: credit reports and regular updates being obtained for each customer; the setting of tight credit limits, any exception to which has to be approved by senior management; overdue accounts are immediately followed up; and regular reports are produced by the credit controller to brief senior management on accounts at risk of default; and
- foreign currency risk - the company works with the rest of the group to match incoming and outgoing foreign currency as far as possible. Occasionally surpluses are built up which are sold on the spot market to redress the exposure.

Financial key performance indicators

Key financial KPI's include gross margin and EBITDA. Refer to analysis of performance section for further commentary on KPI's.

Policy and practice on the payment of creditors

The company will follow its internal process to pay all suppliers no later than the credit terms agreed with each individual supplier at the time it commences business with them.

The average number of days purchases included within creditors at 31 December 2021 was 77 (2020: 77 days).

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through publication of staff newsletters and bulletins.

Disabled employees

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled employees should, as far as possible, be identical with that of other employees.

EMTELLE UK LIMITED

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Strategic report (continued)

Section 172 statement

Under Section 172 of the Companies Act 2006 ('Section 172'), the directors have a duty to promote the success of the company for the benefit of the members as a whole and, in doing so, they must have regard to (amongst other matters):

- the need to foster the company's business relationships with suppliers, customers and others;
- the interests of the company's employees;
- the impact of the company's operations on the community and the environment;
- the likely consequences of any decision in the long term;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The directors believe that engaging with all the stakeholders is important to the success of the business and have identified the main stakeholders as the shareholders, employees, customers, suppliers, the government and regulators and the communities within which they operate. But balancing the needs and views of these stakeholders is challenging as there are often competing interests.

The company prides itself on its reputation for strong business ethics which are centred around 7 key pillars:

- Safety always
- Innovation - we develop new and innovative solutions whilst adapting and improving those in use, we never stop improving
- Empowerment - we support all of our people to get the job done and to develop our employees
- Teamwork - communication and collaboration are the keys to success
- Integrity - trust, transparency, humility and honesty, always
- Respect - our customers, our people and our environment
- Excellent - exceed customer expectations in always providing our best-in-class customer service

Our customers are critical to our success and we seek to maintain good relations with them by meeting with them and discussing their needs on a regular basis, and providing them with a first-class service. Our mission statement is that "we will create value and make a difference everywhere we engage with customers by listening, understanding, innovating and adapting." We have a dedicated solutions team that is 100% customer focused, working alongside them to develop new and improved methodology for passive infrastructure deployment. We provide trialling of our solutions, designed to enhancing our customer performance in their core business. We support our customers through attendance at all regional and international trade shows in our market.

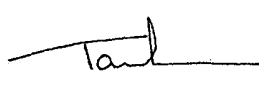
The company values having a strong relationship with its suppliers and seeks to treat them fairly and to pay them promptly.

As a business to business services group, the directors consider that the employees are the group's most valuable asset. The group takes a positive view of employee communications and has maintained its established system of keeping employees informed of performance, development and progress by way of briefings by management and through the medium of the company newsletter. The directors seek to reward employees with a competitive package. The company is focused on implementing strong health and safety procedures to keep our people safe. The company has in place a management structure to ensure that management are aligned with the employees who work for them. The philosophy of the senior management team is to manage the business by being visible and approachable, regularly visiting operating sites. The wider Emtelle group normally also organises a management conference on an annual basis, attended by the directors and senior management from around the group. This was not able to happen during 2021 due to COVID, but we are pleased that has been diarised for the middle of 2022.

The company seeks to comply with the law and the regulations which govern its operations and has put in place policies and procedures which are designed to ensure that it is compliant. It communicates with government bodies and regulators on a regular basis.

The company communicates with its shareholders regularly through the regular Steering and Strategy Committee meetings at which updates are provided and strategy agreed, meetings with the senior management team and provision of regular financial and operational management information in addition. It is important to us to meet our shareholders' dividend expectations. Our aim is to pay a well covered dividend, while leaving sufficient cash in the group to fund our investment for growth. In the short term, pending that investment, the company's cash resources and cash generation will help see the company through the challenging times caused by COVID-19 and wider global geopolitical turmoil. This should benefit all of our stakeholders in ensuring that we have shareholder support for the continuation and growth of the business.

On behalf of the board



A Rodgers
Director

25 May 2022

EMTELLE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMTELLE UK LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Emtelle UK Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position and statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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 directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

EMTELLE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMTELLE UK LIMITED (CONTINUED)

Other Companies Act 2006 reporting

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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

EMTELLE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMTELLE UK LIMITED (CONTINUED)

Extent to which the audit was 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:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- reading minutes of meetings of those charged with governance; reviewing correspondence with regulatory bodies and from legal advisors to identify indications of non-compliance with laws and regulations;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with 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)
- identifying whether there are instances of potential bias in areas with significant degrees of judgement such as provisions for claims and litigation brought against the entity and the provisioning of stock held;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2021; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:



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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh, UK
26 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Statement of comprehensive income

	Notes	2021		2020	
		£ 000's	£ 000's	£ 000's	£ 000's
Turnover	4		164,921		126,190
Cost of sales			<u>(117,761)</u>		<u>(80,645)</u>
Gross profit			47,160		45,545
Other operating income	7	1,297		1,458	
Distribution costs		(11,990)		(7,572)	
Administration expenses		<u>(11,425)</u>		<u>(9,593)</u>	
Operating profit	7		<u>(22,118)</u>		<u>(15,707)</u>
			25,042		29,838
Interest receivable and similar income	8	-		1,807	
Interest payable and similar charges	8	<u>(183)</u>		<u>(110)</u>	
			(183)		1,697
Profit on ordinary activities before taxation			24,859		31,535
Tax on profit on ordinary activities	9		(4,066)		(5,011)
Profit for the financial year			<u>20,793</u>		<u>26,524</u>
Other comprehensive income					
Total comprehensive income for the financial year			<u>-</u>		<u>-</u>
Profit and total comprehensive income for the financial year			<u>20,793</u>		<u>26,524</u>

The Notes on pages 15 to 26 form part of these financial statements.

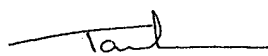
EMTELLE UK LIMITED

For the year ended 31 December 2021
Registration number SC079486

Statement of financial position

	Notes	2021		2020	
		£ 000's	£ 000's	£ 000's	£ 000's
Fixed assets					
Intangible assets	10		1,261		-
Tangible assets	11		11,896		11,401
Long term loans to group companies	19		-		26,591
			13,157		37,992
Current assets					
Stocks	12	14,602		8,563	
Debtors	13	31,414		23,965	
Cash at bank and in hand	14	7,361		7,922	
		53,377		40,450	
Creditors					
Amounts falling due within one year	15	(31,606)		(25,264)	
Net current assets			21,771		15,186
Total assets less current liabilities			34,928		53,178
Creditors					
Amounts falling due after more than one year	16		(4,328)		(3,545)
Provisions for liabilities	18		(1,588)		(1,243)
Net assets			29,012		48,390
Capital and reserves					
Called up share capital	19		1,254		1,254
Profit and loss account	19		27,758		47,135
Total shareholders' funds			29,012		48,389

The financial statements were approved and authorised for issue by the Board of Directors on 25 May 2022 and signed on its behalf by



..... Director (A Rodgers)

The Notes on pages 15 to 26 form part of these financial statements.

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Statement of changes in equity

	Share capital	Profit and loss	Total equity
	£ 000's	account	£ 000's
	£ 000's	£ 000's	£ 000's
Balance at 1 January 2020	1,254	40,044	41,298
Comprehensive income for the year			
Profit for the financial year	-	26,524	26,524
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year attributable to owners	-	26,524	26,524
Contributions by and distributions to shareholders			
Dividend paid	-	(19,433)	(19,433)
Total contributions by and distributions to shareholders	-	(19,433)	(19,433)
Balance at 31 December 2020	1,254	47,135	48,389
Balance at 1 January 2021	1,254	47,135	48,389
Comprehensive income for the year			
Profit for the financial year	-	20,793	20,793
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year attributable to owners	-	20,793	20,793
Contributions by and distributions to shareholders			
Dividend paid	-	(40,170)	(40,170)
Total contributions by and distributions to shareholders	-	(40,170)	(40,170)
Balance at 31 December 2021	1,254	27,758	29,012

The Notes on pages 15 to 26 form part of these financial statements.

EMTELLE UK LIMITED

For the year ended 31 December 2021
Registration number SC079486

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') and the Companies Act 2006.

The presentational currency is Sterling, which is also the company's functional currency. The financial statements are rounded to the nearest thousand unless otherwise indicated.

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

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Emtelle Holdings B.V., as at 31 December 2021. Those financial statements are publicly available from the Chamber of Commerce in the Netherlands.

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The company's principal business activities and the financial position of the company, together with the factors that are likely to affect its future development, performance and financial position are set out in the strategic report.

The directors have considered the overall impact of COVID-19 on the company and this is set out within the strategic report. Management have prepared forecasts, taking into account the potential effect of COVID-19 and the Russian Invasion of Ukraine on its workforce and other stakeholders, projected revenue and cash generation, projected costs (taking account of mitigation available), and working capital requirements. The directors, having considered the forecasts, cash resources and facilities, have concluded that there is no material uncertainty arising in relation to going concern. Under all scenarios, the forecasts demonstrated that the company could operate within its available funding arrangements. Accordingly, as there is a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and to meet its obligations as they fall due, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Revenue is recognised where goods or services are supplied under the terms of the contract. Revenue is measured as the fair value of the consideration received or receivable, excluding VAT and other sales taxes.

The following criteria must also be met before revenue is recognised:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Non-recurring costs

Items of income and expenditure that are non-recurring and, in the judgement of management, require to be disclosed separately on the basis that they are material, either by their nature or their size, to provide a further understanding of the company's financial performance and enable comparison of financial performance between periods.

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Borrowing costs

Finance costs are charged to statement of comprehensive income over the term of the debt using the effective interest rate 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 instruments.

Research and development costs

Research and development expenditure on internal projects are recognised in the statement of comprehensive income as incurred.

Intangible fixed assets and amortisation

Externally acquired intangible assets are recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangibles recognised relate to computer software. This was under construction during the year and at the year end. It will be amortised from the point in time when it becomes available for use.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Buildings	25	years
Plant and machinery	3 - 10	years
Furniture and fittings	3 - 10	years

No depreciation is provided on heritable land or assets in the course of construction.

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 the statement of comprehensive income.

Stocks

Stocks are valued on a FIFO basis at the lower of cost and net realisable value in the ordinary course of business, as follows:

Raw materials and consumables	-	purchase cost
Work in progress/finished goods and goods for resale	-	cost of direct materials and labour plus direct production overheads

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

Provisions have been made for slow moving and defective stock.

Debtors

Short term debtors are measured at transactional price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method, less any impairment.

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.

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 rate method.

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financial instruments

The company has only interfered into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other receivables and payables and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other trade receivables and payables, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 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.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences on exchange are taken to the statement of comprehensive income.

Employee benefits

The company operates long term incentive plans for certain employees. The costs in relation to these schemes are based upon the agreements in place and accrued when the agreed conditions are met and the likelihood of payment is deemed to be probable.

Government grants

Capital grants are released to the statement of comprehensive income over the expected useful life of the asset to which they relate.

Leases and hire purchase contracts

Rental costs under operating leases are charged to the statement of comprehensive income in equal annual amounts over the period of the leases.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. These assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

EMTELLE UK LIMITED

For the year ended 31 December 2021

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Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of financial position, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the date of the statement of financial position.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Pensions

The company has a defined contribution pension scheme. Contributions to the defined contribution scheme are charged to the statement of comprehensive income in the period in which they fall due. The assets of this scheme are held separately from those of the company in separately administered funds.

Related party transactions

The company has taken advantage of exemption, under the terms of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the Emtelle Holdings B.V. group.

2. General information

Emtelle UK Limited is a private company limited by shares, incorporated in Scotland, UK and the address of its registered office and principal place of business is Haughhead, Hawick, Scottish Borders, Scotland, TD9 8LF.

The company's principal activities are to manufacture and sell PVC and polyethylene ducting solutions and blown fibre tubing.

EMTELLE UK LIMITED

For the year ended 31 December 2021
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Notes to the financial statements (continued)

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to represent the most probable outcome under specific circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The primary areas of estimate included in the company's financial statements are in the provisions against doubtful debt, for slow moving and obsolete stock and in relation to warranties on manufactured products.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Warranty claims

Warranties are issued contractually on products and services supplied. The purpose of the provision is to cover probable costs arising if products and services supplied do not meet the agreed quality requirement under normal conditions of use. The provision is based on estimates and on historic data. In general, the liabilities are most likely to be settled within the next five years.

Stock provision

Stocks are carried at the lower of cost and net realisable value and a provision is made for items where the net realisable value falls below cost. Factors taken into account in determining the level of provision required include the ageing and condition of stock items.

4. Turnover

The analysis of turnover by class and by geographical market required by paragraph 68 of Schedule 1 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 has not been provided, as in the opinion of the directors, such disclosures would be seriously prejudicial to the interests of the company.

5. Staff numbers and costs

	2021 Number	2020 Number
The average monthly number of employees of the company during the year including directors:		
Manufacturing	312	251
Sales, office and management	65	64
	<u>377</u>	<u>315</u>

The aggregate remuneration and associated costs of the company's employees were:

	2021 £ 000's	2020 £ 000's
Wages and salaries	15,255	13,103
Social security costs	1,120	1,021
Other pension costs	641	582
	<u>17,016</u>	<u>14,706</u>

The company operates long term incentive plans for certain employees. Amounts payable under these plans at 31 December 2021 totalled £1,436k (2020: £1,358k).

6. Directors' remuneration

	2021 £ 000's	2020 £ 000's
Emoluments	762	542
Amounts paid under long term incentive plans	841	275
Company pension contributions to the defined contribution scheme	27	19

Retirement benefits are accruing to 3 (2020: 3) directors under the defined contribution scheme at 31 December 2021. Included in the total directors emoluments is a £200k compensation for loss of office for a director who left during the year. £945k benefits are accruing to directors under long term incentive plans.

Emoluments (including payments made under long term incentive plans) of the highest paid director were £677k (2020: £467k). Company pension contributions of £8k (2020: £8k) were made to a defined contribution scheme on their behalf.

EMTELLE UK LIMITED

For the year ended 31 December 2021

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Notes to the financial statements (continued)

7. Operating profit	2021	2020
Operating profit is stated after charging/(crediting):	£ 000's	£ 000's
Depreciation of owned fixed assets	1,174	941
Depreciation of fixed assets held under finance leases	1,466	1,493
Amortisation of capital grants	(84)	(84)
(Gain)/Loss on sale of fixed assets	(43)	-
Exchange loss/ (gain) on foreign currency	7	(182)
Auditor's remuneration (including expenses)	72	72
Fees paid to auditor for taxation and other services	4	4
Lease of buildings	41	83
Impairment loss on trade debtors	4	84
Other operating income (see below)	(1,297)	(1,458)
Rentals under operating leases for cars, office equipment and production equipment	557	508
	557	508

Emtelle UK Limited has borne the audit fee for Emtelle Holdings Limited of £2k (2020: £2k).

Other operating income	2021	2020
Government grants	£ 000's	£ 000's
Government grants	23	135
Research and development tax credits	301	192
Management service fees	973	1,131
	1,297	1,458

8. **Finance income and charges**

Interest receivable and similar income	2021	2020
Interest received on loans made to group companies	£ 000's	£ 000's
Interest received on loans made to group companies	-	1,329
Foreign exchange gain on loans made to group companies	-	478
	-	1,807

Interest payable and similar charges	2021	2020
Interest on finance leases	£ 000's	£ 000's
Interest on finance leases	112	74
Other external interest paid	71	36
	183	110

EMTELLE UK LIMITED

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Notes to the financial statements (continued)

9. Taxation on profit on ordinary activities	2021	2020
	£ 000's	£ 000's
Corporation tax rate	19.00%	19.00%
UK corporation tax on ordinary activities for the year	3,042	4,822
Adjustment in respect of previous years	(6)	103
	3,036	4,925
Deferred tax charge - see Note 18		
Deferred tax charge current year	1,023	86
Adjustment in respect of previous years	7	-
	4,066	5,011

The difference between the tax assessed for the year and the standard rate of corporation tax is detailed below:

	2021	2020
	£ 000's	£ 000's
Profit on ordinary activities before tax	24,859	31,535
Profit on ordinary activities at the standard rate of tax of 19% (2020: 19%)	4,723	5,992
Expenses not deductible for tax purposes	38	85
Capital allowances for the period in excess of depreciation	(51)	104
Adjustments to tax charge in respect of previous periods	(6)	103
Adjustments to tax charge in respect of previous periods - deferred tax	7	(3)
Remeasurement of deferred tax for changes in tax rates	130	(68)
Patent box deductions	(414)	(1,075)
Other timing differences	-	(127)
Group relief claimed	(361)	-
Tax charge for the year	4,066	5,011

The standard rate of corporation tax for the year in the United Kingdom was 19% (2020: 19%). Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%). The rate of 19% reflects the amendment to the UK corporation tax rate in the Finance Act 2020 which cancelled the previously proposed reduction to 17%. The Finance Act 2021 was enacted on 24 May 2021 and will increase the main rate of corporation tax applicable to 25% from 1 April 2023. This change does not have a material impact on deferred tax balances.

EMTELLE UK LIMITED

For the year ended 31 December 2021

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Notes to the financial statements (continued)

10. Intangible assets	Software £ 000's
Cost	
At 1 January 2021	-
Additions	1,261
At 31 December 2021	<u>1,261</u>
Accumulated amortisation	
At 1 January and 31 December 2021	<u>-</u>
Net book value	
At 31 December 2021	<u>1,261</u>
At 31 December 2020	<u>-</u>

Intangible asset is under construction and therefore no amortisation charge in the year.

11. Tangible assets	Heritable Land & Buildings	Furniture & Fittings	Plant & Machinery	Assets under Construction	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Cost					
At 1 January 2021	10,649	467	22,911	1,972	35,999
Additions	-	-	-	3,135	3,135
Disposals	(28)	-	(511)	-	(539)
Transfers	25	-	2,187	(2,212)	-
At 31 December 2021	<u>10,646</u>	<u>467</u>	<u>24,587</u>	<u>2,895</u>	<u>38,595</u>
Accumulated depreciation					
At 1 January 2021	6,000	261	18,337	-	24,598
Charge for the year	499	96	2,045	-	2,640
Disposals	(28)	-	(511)	-	(539)
At 31 December 2021	<u>6,471</u>	<u>357</u>	<u>19,871</u>	<u>-</u>	<u>26,699</u>
Net book value					
At 31 December 2021	<u>4,175</u>	<u>110</u>	<u>4,716</u>	<u>2,895</u>	<u>11,896</u>
At 31 December 2020	<u>4,649</u>	<u>206</u>	<u>4,574</u>	<u>1,972</u>	<u>11,401</u>

The net book value of fixed assets held under finance leases is £4,787k (2020: £3,599k).

12. Stocks	2021 £ 000's	2020 £ 000's
Raw materials and consumables	4,335	2,857
Work in progress	1,059	491
Finished goods and goods for resale	9,208	5,215
	<u>14,602</u>	<u>8,563</u>

EMTELLE UK LIMITED

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Notes to the financial statements (continued)

		2021	2020
		£ 000's	£ 000's
13. Debtors			
	Trade debtors	24,449	17,447
	Amounts owed by group undertakings	5,022	5,882
	Prepayments and accrued income	1,564	149
	Corporation tax	379	-
	Deferred tax (Note 18)	-	487
		31,414	23,965
14. Cash and cash equivalents			
	Cash at bank and in hand	7,361	7,922
15. Creditors: amounts falling due within one year			
	Trade creditors	19,913	12,966
	Amounts owed to group undertakings	1,114	2,373
	Other creditors	1,883	2,744
	Other taxation and social security	1,466	526
	Accruals and deferred income	5,690	3,922
	Corporation tax	-	1,280
	Finance leases	1,540	1,453
		31,606	25,264
16. Creditors: amounts falling due after more than one year			
	Other creditors	1,436	1,357
	Capital grants	316	400
	Finance leases	2,576	1,789
	Total	4,328	3,546
	Capital grants:		
	Scottish Enterprise Borders grants	£ 000's	£ 000's
	Balance at 1 January	400	484
	Released in year	(84)	(84)
	Balance at 31 December	316	400

Of the balance of £315.7k, £84k will be released next year, £231.7k will be released in the next 2-5 years.

Future minimum payments under finance leases are due as follows:

	2021	2020
	£ 000's	£ 000's
Within one year	1,637	1,557
In one to five years	2,725	1,895
Total gross payments	4,362	3,452
Less finance charges included above	(246)	(210)
Total net payments	4,116	3,242

Security granted over assets

There are standard securities in respect of the net bank borrowings of the UK lending Group of £15,581k (2020: £16,674k) over the land and buildings held by Emtelle UK Limited. A bond and floating charge covers all the heritable and moveable assets of the UK lending Group which totalled £27,758k (2020: £19,965k) at the year end. There is a fixed charge over the book debt of £29,542k (2020: £19,886k).

Cross guarantees are in place to secure all bank borrowings of the UK lending Group, which consists of Emtelle UK Limited, Emtelle Holdings Limited (EHL) and Emtelle EOS Holdings Limited (EOS). On 20 December 2021 EHL registered further charges in favour of HSBC UK Bank PLC in relation to EOS - a company through which an acquisition is being made. The term loan is secured by EHL granting a shares pledge in and assigning security over the debt owed to it by EOS in favour of the lender.

Finance lease creditors are secured on the assets concerned.

EMTELLE UK LIMITED

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Notes to the financial statements (continued)

17. Financial instruments	2021 £ 000's	2020 £ 000's
Financial assets		
Financial assets that are debt instruments measured at amortised cost	36,832	57,842
Financial liabilities		
Financial liabilities measured at amortised cost	34,152	26,605

Financial assets measured at amortised cost comprise cash, trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and finance leases.

18. Provisions for liabilities	2021 £ 000's	2020 £ 000's
Deferred tax	543	-
Other provisions	1,045	1,243
	1,588	1,243
Deferred tax:		
	2021	2020
	£ 000's	£ 000's
Accelerated capital allowances	1,168	364
Short term timing differences	(625)	(851)
Total deferred tax asset	543	(487)
Movement in deferred tax:		
	2021	2020
	£ 000's	£ 000's
Opening balance	(487)	(573)
Charge to the SOCI	1,030	86
Closing balance	543	(487)

The deferred tax asset which is included within debtors (see Note 12), is recognised because the directors consider it probable that this will be recoverable against future profits of the business.

Other provisions, which are short term in nature, represent the estimated liability for product warranty claims. In the prior year, they also included the costs associated with protecting or defending intellectual property claims and a penalty relating to a health and safety incident which has subsequently been settled in full.

Other provisions	2021 £ 000's	2020 £ 000's
Opening provision	1,243	3,419
Increase to provision	891	1,144
Amount used	(513)	(2,720)
Amount released	(577)	(600)
Closing balance	1,044	1,243

19. Share capital and reserves	2021 £ 000's	2020 £ 000's
Allotted, called up and fully paid share capital - Ordinary £1 shares.	1,254	1,254

Called up share capital represents the nominal value of the shares issued.

Ordinary shares rank pari passu for participation in profits and assets. Each ordinary share is entitled to one vote on all matters upon which the ordinary shareholders are entitled to vote.

A dividend of £9.89 per share (2020: £15.49) totalling £12,406k (2020: £19,433k) was paid in the year. On 1 January 2021 Emtelle UK Limited unconditionally waived, discharged and released in full the outstanding loans from Emtelle Holdings B.V. of £13,323k and from Emtelle Holdings Limited of €16,300k or £14,441k. The total loans waived of £27,764k are deemed a dividend distribution, £1,173k of the amounts waived were included in Note 15 in prior year.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

EMTELLE UK LIMITED

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Notes to the financial statements (continued)

20. Commitments and contingent liabilities (continued)

Capital commitments

Capital expenditure contracted for, but not provided for in the financial statements, amounted to £997k (2020: £2,372k).

Financial commitments

At the year end the company had the following financial commitments in relation to development of Intangible Assets.

	2021	2020
	£ 000's	£ 000's
Less than 1 year	4,119	-
1 to 5 years	2,268	-
Total financial commitments	6,387	-

Operating lease commitments

At the year end the company had the following operating lease commitments for the lease of land and buildings, equipment and motor vehicles:

	2021	2020
	£ 000's	£ 000's
Less than 1 year	367	391
1 to 5 years	198	489
Total operating lease commitments	565	880

Bank guarantees (bonds)

At the date of the statement of financial position the company had issued a guarantee to HMRC of £555k (2020: £480k) to cover its duty deferment account. There were also sales guarantees outstanding of €nil (2020: €25k) and a guarantee of £109k (2020: £109k) as a result of a lost bill of lading for an overseas shipment relating to individual customers. There is also a financial guarantee for €856k (2020: €963k) that was made on behalf of a sister company to allow them to secure lease financing for new capital expenditure.

21. Holding company

The immediate parent undertaking is Emtelle Holdings Limited.

The company is a wholly owned subsidiary of Emtelle Holdings B.V., a company incorporated in the Netherlands, and is included in the consolidated financial statements of Emtelle Holdings B.V., which are publicly available from the Chamber of Commerce in the Netherlands.

The smallest and largest group preparing consolidated financial statements in which the company is incorporated is Emtelle Holdings B.V.

The directors recognise Mapua Investment Holding Company B.V., incorporated in the Netherlands, as the ultimate parent company and controlling party.

22. Related parties

	2021	2020
	£ 000's	£ 000's
<i>Related party transactions</i>		
Rent paid to company under common ownership	-	83
Rent received from company under common ownership	32	3
Amounts due to EMCAB GMBH	895	69
Purchase of goods from EMCAB GMBH	2,986	712
Commission charges from EMCAB GMBH	559	337

EMCAB GMBH is a joint venture company of the wider Emtelle Group.

As stated in note 1, the company has taken advantage of exemption, under the terms of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the Emtelle Holdings B.V. group.

EMTELLE UK LIMITED

For the year ended 31 December 2021

Registration number SC079486

Notes to the financial statements (continued)

22. Related parties (continued)

	2021	2020
	£ 000's	£ 000's
<i>Key management personnel compensation</i>		
Short-term employee benefits	2,216	1,709
Post-employment benefits	55	54
	<hr/>	<hr/>
	2,271	1,764
	<hr/>	<hr/>
Management fees paid to key management personnel	73	297
	<hr/>	<hr/>

23. Events after the balance sheet date

On 20 April 2022 Afri Piping Systems ME Holdings Ltd., Afri Piping Systems Middle East Industries LLC and Afri Piping Systems Europe GMBH became Acceding Obligors to the £55 million Facility agreement for which the Emtelle UK lending group has given guarantees as disclosed in note 16.

On 20 April 2022 Emtelle UK Limited issued a guarantee to HSBC Bank Middle East Limited in relation to Afri piping Systems Middle East Industries LLC debt for up to AED 22 million.