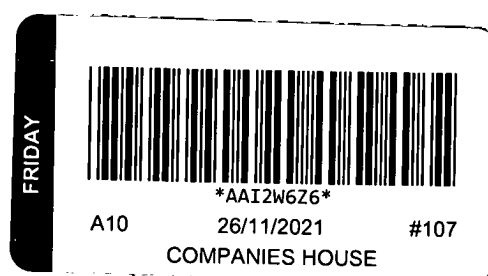


Registered number: 11334361

Nasstar Group Limited (formerly Divitias Midco Limited)

Annual Report and Financial Statements

For the Year Ended 31 December 2020



Nasstar Group Limited (formerly Divitias Midco Limited)

Company Information

Directors	W Churchill K J Budge
Registered number	11334361
Registered office	19-25 Nuffield Road Poole BH17 0RU
Independent auditors	Ernst & Young LLP No 1. Colmore Square Birmingham B4 6HQ

Nasstar Group Limited (formerly Divitias Midco Limited)

Contents

	Page
Group Strategic Report	1 - 9
Directors' Report	10 - 13
Independent Auditor's Report	14 - 26
Consolidated Income Statement	27
Consolidated Statement of Financial Position	28 - 29
Company Statement of Financial Position	30 - 31
Consolidated Statement of Changes in Equity	32
Company Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34 - 35
Notes to the Financial Statements	36 - 67

Nasstar Group Limited (formerly Divitias Midco Limited)

Group Strategic Report For the Year Ended 31 December 2020

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Group is to build and manage high quality Communications, Hybrid Cloud and Network solutions for major companies.

The company acts as a holding company for its subsidiary undertakings.

Business review

On 4 May 2018, Mayfair Equity Partners (Mayfair) acquired a majority stake in GCI Managed Services Group Limited (the parent company of the business).

To facilitate the transaction new parent companies were established, Divitias Bidco Limited (which owns 100% of GCI Managed Services Group Limited), Divitias Midco Limited (which owns 100% of shares in Divitias Bidco Limited) and Divitias Holdco Limited (which holds 100% of the shares in Divitias Midco).

Currently, operating under the GCI branding, with over 3,500 customers we are continuing our growth strategy both organically across all sectors of the IT and data marketplace, as well as through acquisitions.

On 2 June 2019, the Group acquired 100% of the issued share capital of four subsidiaries of Premier Global Services Inc., including Modality Systems Limited, for \$15m.

On 27 January 2020 the Group acquired 100% of Nasstar plc, an AIM listed business which provides managed IT and cloud hosted services to the legal, recruitment and financial services sectors in a deal worth £81.5m.

Executive Management has changed several times since the original deal in 2018 and the Group is now led by Wayne Churchill CEO (appointed September 2019) and Kevin Budge CFO (appointed May 2020).

The Group is divided into 3 Business Units to bring greater focus on trading results.

The 3 Business Units are:

- The Microsoft Business Unit
- A Managed IT and Cloud Business Unit
- An Infrastructure, Voice and Network Business Unit

As our marketplace becomes increasingly competitive, to remain truly effective and grow, we need to concentrate our resources, focus our learning and energy around the specialisms that exist in the business today.

The skills, know-how and expertise in the Group today is extensive and that is a fantastic asset. The new Business Unit structure concentrates this expertise, it brings about greater focus and enables us to build more compelling value propositions.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Key performance indicators

The Key performance indicators of the business are set out below:

	2020	2019
	£000's	£000's
Revenue (£'000)	113,876	93,264
Gross profit (£'000) as restated	66,974	47,818
EBITDA* (£'000)	22,113	12,046
Loss before tax for the period (£'000)	<u>(55,366)</u>	<u>(33,302)</u>

*EBITDA is defined to be Profit before Interest, Tax, Depreciation, Amortisation, Impairments of tangible assets, Other Operating Income relating to R&D tax credits, Exceptional items and Profit/Losses on disposal of assets.

Revenue has increased by £20.6m, an increase of 22%. The acquisition of Nasstar contributed £22.3m. During the year, the Group was impacted by the change in market conditions arising directly from the Covid-19 pandemic which changed the demands of a wide range of customers across our portfolio; by working effectively with our customers we managed to control the impact of these changes well and continued to deliver to all our customers positively throughout the year.

Gross profit has increased by £19.2m, an increase of 40%. The acquisition of Nasstar contributed £13.7m. As part of driving synergies from the acquisition primarily in our direct cost base as well as adjusting our supply chain (relating to the Covid-19 pandemic) we made significant operational improvements in our cost base during the year.

EBITDA has increased by £10.1m, an increase of 84%. The acquisition of Nasstar contributed £7.3m. In addition to the above, a number of benefits arose through reorganisation (see note 11).

The Directors believe that the operating improvements made during the year will continue into the forthcoming year, furthermore the Directors are pleased with both the financial and commercial improvements made during a difficult year.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Principal risks and uncertainties

The Directors consider the principal risks and uncertainties that the Business is exposed to are regulatory change, market conditions, capital risk, credit risk and liquidity risk.

Regulatory change

The Business and its parent Group operates within the telecommunications sector in the UK, and is therefore regulated by Ofcom and subject to the conditions of the Communications Act 2003. A breach of the regulatory requirements could result in penalties, financial or otherwise. An increase in regulation could also cause increased regulatory costs. The Business actively monitors all changes to regulations within the sector and provides training to staff to help prevent any non-compliance.

Market conditions

The Business faces the risk that adverse currency fluctuations could lead to margin erosion on any contracts already closed prior to Brexit, due to increased equipment costs. It also faces the risk that uncertainty and sentiment in the market may or may not cause customers to go out to tender, thus affecting the Business's pipeline of work. Only a small percentage of the Business's cost base is in an overseas currency, so the Business has limited exposure here. The Business has an ever-increasing pipeline of work and a varied customer base, which helps to spread the risk.

Capital risk management

The Directors consider the capital of the Group to relate to share capital and Group reserves and long-term borrowings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Directors carefully monitor the Group's long-term borrowings including the ability to service debt and long-term forecast covenant compliance. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

As at the time of writing, the Group is funded by a £173.5m Senior Facilities Agreement ('SFA') and loan notes of £121.6m. Included within the loan notes of £121.6m are ultimate controlling party loan notes totalling £88.4m, payable to Mayfair Equity Partners who own the majority of the share capital of the entire Group, which are listed on The International Stock Exchange (TISE). The Group also has access to a Revolving Credit Facility (currently undrawn) to provide additional significant liquidity headroom. As part of the amended SFA from the acquisition of KCOM National Business in August 2021 (see Note 32), the Revolving Credit Facility has increased to £15.0m.

The interest rates on each of the Group's major monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates. Measurements of this interest rate risk and its potential volatility to the Group's reported financial performance is undertaken on a regular basis.

Hedging activities are evaluated regularly to align with defined risk appetite and any interest rate risk conditions impaired by lenders; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through varying interest rate cycles.

Credit risk

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong ongoing customer relationships and by the exposure over a large number of customers rather than a significant concentration.

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Liquidity

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. The Group has generated sufficient cash from operations to meet its working capital requirements. The Group monitors rolling cash flow forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs.

Future developments

For the 2021 financial year, we will continue to invest in our systems, processes and to consolidate the acquisitions and realise cost savings across the Group.

Strategy and objectives

Our strategic goal is to transition Nasstar into a stable platform for the acquisition and integration of value generating businesses.

The directors noted growth opportunities in Microsoft products such as Skype for Business; Teams and Azure, plus the need for scale in IT Managed Services.

Management then identified the Modality group of companies with the right Microsoft product suite and acquired them in June 2019 and followed through with the Nasstar Plc acquisition for the IT Managed Services which was a delisting that closed in January 2020.

In 2020 we successfully integrated and consolidated these acquisitions and started to construct the stable platform.

Our cash positions greatly improved during 2020 following a heavy focus on working capital improvement. We are currently looking to further add value to our products and where we deem appropriate by further acquisition of businesses.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Energy and carbon report

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

kWh/yr is the quantity of energy consumed per year, measured in kilowatt hours.

t CO₂ e/yr is atmospheric impact per year, measured in tonnes of carbon dioxide.

	2020 kWh/yr	Normalised (estimate) kWh/yr
Total Energy Consumption	<u>3,919,839</u>	<u>4,085,000</u>

Energy consumption can be broken down into the following components:

	2020 kWh/yr	Normalised (estimate) kWh/yr
Operations Electricity (inc Data Centres)	3,501,649	3,502,000
Electricity (Offices)	321,627	365,000
Gas (Offices)	96,563	107,000
Business Travel (car mileage)	12,311	41,000
Business Travel (all other travel)	34,899	70,000
	<u>3,967,049</u>	<u>4,085,000</u>

	2020 t CO ₂ e/yr	Normalised (estimate) t CO ₂ e/yr
Total Emissions (gross annual)	<u>925</u>	<u>957</u>

Scope 1 Emissions:

	2020 t CO ₂ e/yr	Normalised (estimate) t CO ₂ e/yr
Gas consumption	18	20
Business travel	3	10
	<u>21</u>	<u>30</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Scope 2 Emissions:

	2020	Normalised (estimate)
	t CO2 e/yr	t CO2 e/yr
Operations electricity (inc. Data Centres)	816	816
Purchased electricity	75	85
	891	901

Scope 3 Emissions:

	2020	Normalised (estimate)
	t CO2 e/yr	t CO2 e/yr
Business travel (all other travel)	13	26

Operations metrics:

	2020
Employees (average UK based only) (number)	605
2020 Turnover (UK) (£'M/yr)	106

Intensity ratios:

	2020	Normalised (estimate)
Total emissions per employee (t CO2e/employee)	2	2
Operations electricity emissions/turnover (t CO2e/£'M)	8	8
Non operations emissions/turnover (t CO2e/£'M)	1	1

Methodology:

1. Approach: This report is to comply with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have followed the Mar 2019 HM Government Environmental Reporting Guidelines and used the GHG reporting Protocol – Corporate Standard (Revised).

2. Description: The scope for this SECR disclosure includes staff travel, fuel use for back-up generators, and electricity and gas supplied to the data centres and offices occupied during the reporting period:

- a. No allowance has been made for employee home working energy use.
- b. Energy use and emissions arising from international activities (New Zealand, Malaysia) are out of scope for SECR for large unquoted organisations. They are therefore not included in this report.
- c. Due to reorganisation several office locations have been vacated within the reporting period. Energy use and the associated emissions have been included where they have been continued to be billed.
- d. During this period, no fuel was recorded as being purchased for stand-by emergency generators.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

3. Sources of data:

- a. The primary source of data are electricity and gas invoices. These typically are based on actual meter readings taken monthly or automatically for larger consuming sites.
- b. Secondary sources for electricity used are site rental agreements.
- c. Travel emissions are calculated based on staff expense claims data, and reports from Concur.

4. Conversion factors derived from: HM Government Conversion Factors for Company Reporting for the period 2019-2020, and BEIS guidance. Conversion factors for flights are inclusive of Radiative Forcing (RF). This is a measure of the additional environmental impact of aviation and include emissions of nitrous oxides and water vapour when emitted at high altitude.

5. Validation & verification: Invoices for energy costs and expenses are checked and validated as part of routine finance controls.

6. Energy use & emissions - benchmark normalisation: Future years SECR reports will be benchmarked against previous years data. Some decreases in energy use, travel and associated emissions can be attributed to the impact of covid-19. To facilitate future performance comparisons "normalised" energy and emission figures have been included. These reflect the impact that reduced business travel and the reduced use of sites during the covid-19 related lockdown in the reporting period.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors of Nasstar Group Limited consider, both individually and together, that they have acted, in good faith, in the way they consider, would be the most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020. By reference to the approval of our strategic and business plans by our stakeholders, supported by the board assurance statement accompanying our plans:


- Our plans have been designed to have a long-term beneficial impact on the company and to contribute to its success in delivering better quality, more competitive and reliable set of services to all our current and prospective customers. We will continue to operate our business within tight budgetary controls and in line with all regulatory and statutory requirements.
- Our purpose is to harness talent and technology in an ethical manner to benefit all our stakeholders who are our customers and their industries, our shareholders, our people and the communities in which we operate.
- Our employees are fundamental to the delivery of our plans. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health safety and well-being of our employees is one of our primary considerations in the way we do our business.
- As the Board of Directors, our intention is to behave responsibly and ensure that the management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation and brand presence, through both the construction and delivery of our plans, that reflects our responsible behaviour.
- As the Board of Directors, our intention is to behave responsibly toward our investors and treat them fairly and equally, so they too benefit from the successful delivery of our plans. As set out further below a key strategy for our investors was the expansion of our Group's presence in servicing public sector organisations.
- Our Customers are the heart of our business. We aim to deliver truly outstanding customer experiences ensuring desired outcomes and value for money. On a monthly basis the Board receives reports detailing our customers outstanding debt positions which are used to evaluate any risks in terms of cash collectability and/or trading issues which may require remedial action. What we are going to do in 2021: In 2021 the Group will continue to assess and implement and improve our portfolio of product offering to meet the developing commercial needs of our customers at more effective prices. The Board will be considering a restructuring to ensure the on-going approach to market is more effective for our current and prospective customers.
- Engagement with suppliers is key in supporting our commitment to the Supplier Code and supports also our Modern Slavery Statement (which can be found on our website). We also recognise that compliance is key for our suppliers and ourselves. Sustainability is an important part of any business strategy and our suppliers are willing to work with us on this aspect too. We look for the right balance of global, national and local capability, working with partners to drive innovation.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Group Strategic Report (continued)
For the Year Ended 31 December 2020**

- The Board maintains regular and constructive dialogue with our investors to communicate our strategy and performance in order to promote investor confidence and ensure our continued access to capital. In addition, we have conversations around acquisitions and disposals strategy and our corporate structure. As part of all these key communications we ensure that where applicable any legal, taxation or mergers & acquisitions support are engaged to ensure we remain compliant and effective in any decisions we make. Working with our investors and the commercial leads of the business the Group established a series of market channel improvements which we expect to crystallise by the end of 2021 which should significantly increase the scale, propositions, and presence of Nasstar, enabling it to address very large enterprises and Public Sector organisations across a broader product and services portfolio. It also sees Nasstar become part of the NHS Health and Social Care Network (HSCN) with it fully accredited to provide and deploy HSCN network services to the health and care sector across the UK. Following this strategy the Group announced on 25 June 2021, that the Group acquired the trade and assets of the KCOM National Business, at the time of signing these financial statements the final consideration had not been established.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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K J Budge
Director

Date: September 29, 2021

Nasstar Group Limited (formerly Divitias Midco Limited)

Directors' Report For the Year Ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

The Group was incorporated on 27 April 2018 issuing 1 £1 Ordinary Share which was fully paid.

Results and dividends

The loss for the year, after taxation, amounted to £55,445,822 (2019 - loss £32,958,088).

No dividends were paid during the period.

Directors

The Directors who served during the year were:

A Clarke (appointed 29 April 2019, resigned 22 July 2020)

W Churchill (appointed 10 September 2019)

K J Budge (appointed 22 July 2020)

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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.

Employee involvement

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees concerning the financial and economic factors affecting the company's performance. We regularly consult with employees and encourage their views when making decisions which are relevant to them.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Directors' Report (continued)
For the Year Ended 31 December 2020**

Disabled employees

It is the policy of the company, where possible, to give full and fair consideration to disabled persons in their applications for employment within the company and continuing the employment of, and arranging training for employees who have become disabled persons whilst employed and otherwise for the training, career development and promotion of disabled persons.

Qualifying third party indemnity provisions

Qualifying third-party indemnity provisions for the benefit of the Directors were in force during the year.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the 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 and the Group's auditors are aware of that information.

Post balance sheet events

On the 1 August 2021, the Group acquired the trade and assets of the KCOM National Business. This acquisition should significantly increase the scale, propositions, and presence of Nasstar, enabling it to address very large enterprises and Public Sector organisations across a broader product and services portfolio. It also sees Nasstar become part of the NHS Health and Social Care Network (HSCN) with it fully accredited to provide and deploy HSCN network services to the health and care sector across the UK. At the time of signing these financial statements the final consideration had not been established.

The acquisition has been funded by an increase in bank debt of £33m. At the same time we increased our Revolving Credit Facility to £15m (currently undrawn).

Nasstar Group Limited (formerly Divitias Midco Limited)

**Directors' Report (continued)
For the Year Ended 31 December 2020**

Going concern

Notwithstanding the Group's net liabilities of £111,066,958 (2019 - £55,621,136), which include net amounts owed to group undertakings of £47,855,692 (2019 - £47,203,183), the directors believe the preparation of the financial statements on a going concern basis to be appropriate for the reasons set out below.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 9. The Principal risks and uncertainties section includes a description of the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As at the time of writing, the Group is funded by a £173.5m Senior Facilities Agreement ('SFA') and loan notes of £121.6m. The Group also has access to a Revolving Credit Facility (currently undrawn) to provide additional significant liquidity headroom. As part of the amended SFA from the acquisition of KCOM National Business in August 2021 (see Note 32), the Revolving Credit Facility has increased to £15.0m. The SFA has a quarterly leverage covenant test measured as last 12 months adjusted EBITDA as a proportion of net debt.

The Board has considered the impact of the ongoing COVID 19 impact. Despite the COVID 19 pandemic the Group has traded profitably and increased its cash position by £5.1m during H1 2021 (£8.1m during H1 2020). H1 revenues are slightly suppressed from budget but a continued strong cost out programme following the acquisition of Nasstar plc in January 2020 has mitigated this resulting in an EBITDA that is only slightly below budget. Management have continued to monitor ongoing performance closely through the date of these financial statements, however, it is still too early to ascertain the impact that COVID 19 may have on our full year 2021 revenue and profitability.

The Board performed a number of stress tests to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Group is forecast to be in compliance with the leverage covenant per the SFA.

The Directors have prepared detailed forecasts for the Group covering a period through to 30 September 2022 on which to assess going concern, plus have considered their strategic outlook beyond this period to assess if there are any conditions or expected outcomes that would cast significant doubt over the going concern conclusion. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from H1 2021 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

In the sensitised scenario, reflecting a severe but plausible downside, the forecasts indicate the Group would still have sufficient profitability for the Group to meet its covenant requirements and would retain sufficient liquidity to fund operations. In the reverse stress tested scenario, the Group may need some mitigation such as reducing discretionary spend and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's position.

Having considered all the above, including the Group's current financial position, the directors remain confident in the long term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

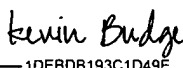
Nasstar Group Limited (formerly Divitias Midco Limited)

**Directors' Report (continued)
For the Year Ended 31 December 2020**

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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K J Budge
Director

Date: September 29, 2021

Independent Auditor's Report to the Shareholders of Nasstar Group Limited (formerly Divitias Midco Limited)

Opinion

In our opinion:

- Nasstar Group Limited group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nasstar Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated Statement of Financial Position as at 31 December 2020	Company Statement of Financial Position as at 31 December 2020
Consolidated income statement for the year then ended	Company Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 33 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 33 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 FRS 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 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 as applied to listed entities, 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.

The financial statements are prepared on a going concern basis as the directors consider based on their forecast that there is no plausible scenario during the period to 30 September 2022 which could result in the group and company having insufficient liquidity or being unable to service its debt and meet related covenant requirements.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Following a refinancing in Q2 FY21, the group is financed by the following:

- £121.6m of Investor Funding Notes listed on The International Stock Exchange in the Channel Islands, redeemable in June 2026.
- £175.5m of bank debt facilities due to be repaid in May 2025, which as a leverage covenant that requires a rolling 12-month measure of EBITDA to be above a minimum multiple of net debt, measured quarterly.
- £15m revolving credit facility, which if drawn, requires a minimum EBITDA threshold to be achieved quarterly.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We understood and walked through management's process for and controls related to assessing going concern including discussion with management to ensure all key factors were taken into account.
- We read and considered the directors' going concern assessment for the group covering the period through to 30 September 2022, including their assessment of the risks and impact of COVID-19, to understand the key assumptions upon which it was based and tested the model for integrity and for clerical accuracy.
- We assessed the liquidity of the group, including its current cash resources and available debt facilities in order to meet their obligations falling due over the going concern period. We confirmed the availability of the group's debt facilities by comparing to the underlying agreements;
- We inspected the debt facilities agreement to confirm the basis of the leverage covenant calculation and assessed whether the EBTIDA has been correctly calculated in accordance with the definition of EBTIDA provided in the facility;
- We tested the forecast covenant compliance and liquidity availability as follows;
 - We obtained management's financial forecast for the period to 30 September 2022, which was formed as part of the refinancing in Q2 FY21, and checked its arithmetical accuracy;
 - We tested the underlying assumptions and data upon which the forecast was based (including revenue, gross margin and EBITDA) to ensure their reasonableness, including consideration of the external adviser financial due diligence report on the KCOM acquisition;
 - We obtained the stress testing performed in the director's going concern assessment. We checked the calculations for accuracy and evaluated the underlying assumptions related to EBITDA declines and cost saving mitigations;
 - We recalculated the results of the sensitivity testing performed by management to determine the impact of reasonably possibly fluctuations in key assumptions on the group's available liquidity and covenant compliance;
 - For mitigations modelled we assessed whether management had the ability to effect these in the time period modelled and compared the forecast savings to those realised in the year to 31 December 2020 and to an external adviser due diligence report on forecast achievement of synergies and savings;
 - We compared the forecast to the current trading performance to July 2021 by inspecting the management accounts, in addition to making inquiries of management to identify issues with current trading or debtor recoverability; and
 - We performed reverse stress testing to establish the level of change in EBITDA necessary to cause a financial covenant breach or for the group to exhaust its cash reserves and considered the likelihood of such a change together with the controllable mitigating options available to management.
- We inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to relevant external economic forecasts.

We reviewed the going concern disclosures in the financial statements in order to assess whether they are appropriate and in conformity with the relevant standards.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

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 group and parent company's ability to continue as a going concern from when the financial statements are authorised for issue through to 30 September 2022. Going concern has also been determined to be a key audit matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of ten components. • The components where we performed full or specific audit procedures accounted for 93%% of Adjusted EBITDA, 93% of Revenue and 85% of Total assets.
Key audit matters	<ul style="list-style-type: none"> • Revenue recognition – overstatement of sales through inconsistent pricing • Management override - exceptional item classification and journals posted to improve revenue • Nasstar acquisition accounting • Valuation of acquired intangible assets • Going concern
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £655,000 which represents 3% of group Adjusted EBITDA.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, and, changes in the business environment assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 26 reporting components of the group, we selected ten components covering entities within the United Kingdom, which represent the principal business units within the group.

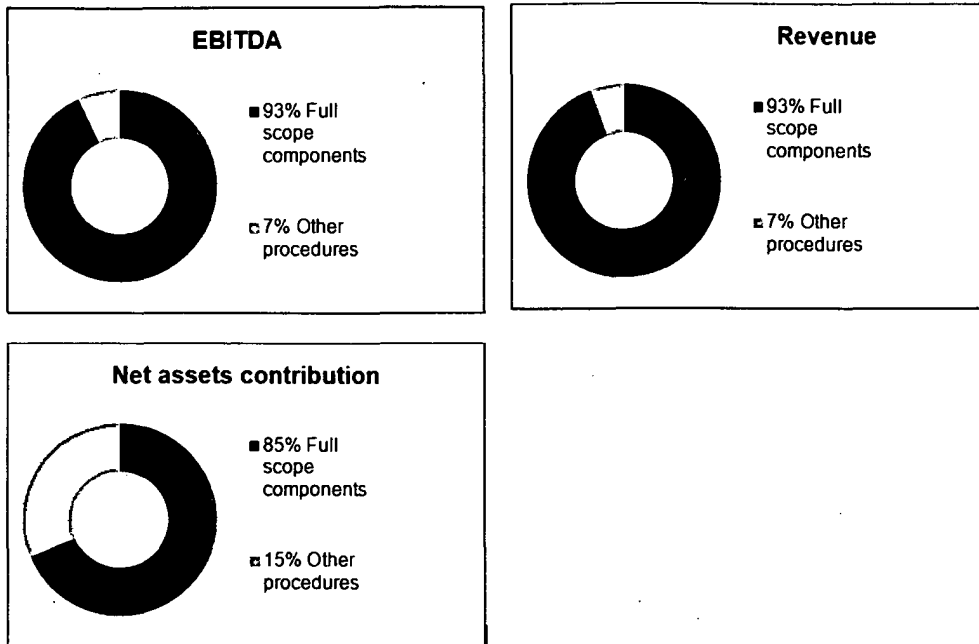
Of the ten components selected, we performed an audit of the complete financial information of ten components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components, each full scope components, where we performed audit procedures accounted for 93% (2019: 100%) of the group's Adjusted EBITDA, 93% (2019: 100%) of the group's Revenue and 85% (2019: 97%) of the group's Total assets.

Of the remaining 16 components that together represent 7% of the group's Adjusted EBITDA, none are individually greater than 3% of the group's Adjusted EBITDA. For these components, we performed a desktop review over 'review scope' components, to respond to any potential risks of material misstatement to the group financial statements.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Changes from the prior year

Scoping changes in the year are driven by the acquisition of the Nasstar PLC group under Divitias Bidco Limited during January 2020. Subsequent to this acquisition, the parent company of the group renamed itself in the period from Divitias Midco Limited to Nasstar Group Limited.

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. Of the ten full scope components, audit procedures were performed on ten of these directly by the primary audit team.

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition – overstatement of sales through inconsistent pricing (£113.9m, PY comparative £93.3m)</p> <p><i>Refer to the Accounting policies (page 36); and Note 2 of the Consolidated Financial Statements (page 44)</i></p> <p>We deem there to be a risk of material misstatement of revenue due to the nature of the group's revenue process, as revenue recognition is driven by an application outside of the group's accounting software. Given that there is no tangible good/service delivery, the occurrence of revenue transactions is harder to monitor by management and has greater opportunity to be manipulated.</p> <p>Where the invoices contain different services, they may have incorrect market parameters resulting in the revenue recognition point being manipulated and potentially brought forward.</p>	<p>We understood the revenue recognition processes, including identification and walkthrough of management's key controls over revenue recognition.</p> <p>We performed contract reviews to understand whether revenue is correctly recognised specifically looking at for each trading entity:</p> <ul style="list-style-type: none"> - The five largest new contracts during the year; - The ten largest contracts overall <p>We considered performance obligations under each of these contracts and obtained evidence of achievement of those obligations by the group.</p> <p>We performed trend analysis over all services provided to the top ten customers and investigated where unusual movements were identified.</p> <p>We completed an unusual item review over the billing system data for:</p> <ul style="list-style-type: none"> - Significant round sum revenue; and - Negative or zero revenue. <p>We performed sales cut-off testing for two weeks either side of the year end to 10% of performance materiality for all full scope locations.</p> <p>We performed substantive analytical review of deferred revenue in forming an expectation based on both the current year level of revenue that flows into deferred income and the prior year and</p>	<p>Revenue has been appropriately recorded in the period, in all material respects, in accordance with the requirements of FRS 102.</p>

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

	<p>compared with the actual level of deferred income at year end.</p> <p>We performed a correlation analysis between revenue, accounts receivable, and cash.</p> <p>We performed journal entry testing over manual journal entries posted to revenue. We assessed the profile of manual journal entries to revenue for any unusual entries and any unusual users who made postings. We obtained supporting documentation for each selected entry to verify that it was a valid adjustment to revenue.</p>	
	We performed full scope audit procedures over this risk area at ten components, which covered 93% of the risk amount.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Management override – exceptional item classification (£4.2m, 2019: £2.8m) and journals posted to improve revenue</p> <p><i>Refer to the Accounting policies (page 39 and 43); and Note 11 of the Consolidated Financial Statements (page 50)</i></p> <p>1) Nature of journal entry process</p> <p>There is no approver necessary to enable the posting of journals. This lack of control increases the opportunity that journals could be posted by management to manipulate the financial position.</p> <p>2) The users of the financial statements focus on, and the performance of, EBITDA excluding exceptional items</p> <p>The key metric of EBITDA presented excludes exceptional items in order to provide an underlying performance metric. Given the nature of the group in that it acquires other companies and reorganises them, there are typically high levels of fees and restructuring costs which are classified as</p>	<p>We tested the group's exceptional costs by identifying all items greater than 10% of performance materiality and obtained supporting documentation. Each item selected has been assessed through obtaining third party evidence and explanations for whether it meets the accounting policy as disclosed in the financial statements.</p> <p>We completed an unusual item review over the remaining immaterial balances in exceptional items not tested to assess whether the journal description was consistent with the group accounting policy criteria and investigated any anomalies.</p> <p>We performed journal entry testing over manual journal entries posted to revenue. We have assessed the profile of manual journal entries to revenue for any unusual entries and any unusual users who made postings. We obtained supporting documentation for each selected entry to verify that it is a valid adjustment to revenue and that it was appropriately approved.</p> <p>We performed full scope audit procedures over this risk area in 10 locations, which covered 93% of the risk amount.</p>	<p>Exceptional costs disclosed in the statutory accounts total £4.2m (2019: £2.8m) and relate to fees relating to the Nasstar acquisition that do not meet the criteria for capitalisation or restructuring costs including redundancies in reorganising the business. We concluded that the amounts were fairly stated and appropriately disclosed.</p> <p>We did not identify any manual adjustments to revenue that were not appropriately accounted for.</p>

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>exceptional and excluded from the presented metric.</p> <p>We consider from the above factors that management override would likely occur in the income statement to manipulate the EBITDA position either through amending the revenue figure, or through altering the costs by reclassifying them to be included within exceptional items.</p>		

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of acquired intangible assets (Customer Lists, Trade names and Goodwill £207.8m, net of £12.3m impairment, 2019: £169.3m, prior to Modality adjustment)</p> <p><i>Refer to the Accounting policies (page 40); and Note 12 of the Consolidated Financial Statements (page 51)</i></p> <p>The group has significant goodwill, other intangible assets, including trade names, and customer lists recognised on the balance sheet.</p> <p>As outlined in the strategic report, the group has faced a challenging year arising from continued changes in the market and disruption in operations caused by COVID-19.</p> <p>The group has experienced an overall decline in operating loss from £13.8m in 2019 to £15.5m in 2020.</p> <p>Therefore, there is a risk that goodwill and the group's cash generating units ('CGUs'), in particular the previous acquisitions of GCI and Modality and the related trade name CGUs, may not achieve the anticipated business performance to support their respective carrying values.</p> <p>Judgement is required in forecasting the future cash flows of each CGU, determination of the long-term growth rates applied to these cash flows, together with the rate at which they are discounted.</p>	<p>We examined management's methodology together with their models for assessing the valuation of goodwill and other intangible assets to understand the composition of management's future cash flow forecasts and the process undertaken to prepare them. This included confirming the underlying cash flows were derived from the board approved budgets. We also re-performed the calculations in the model to test the mathematical integrity;</p> <p>In comparison to the requirements of FRS102 on impairment and giving due consideration to management's business model, we understood the methodology applied by management in performing its impairment tests;</p> <p>We tested the key inputs to management's impairment model by:</p> <ul style="list-style-type: none"> ▪ analysing the historical accuracy of budgets (pre COVID-19) to actual results to determine whether forecast cash flows are reliable based on past experience; ▪ assessing the discount rate used by obtaining the underlying data used in the calculation and, involving EY internal specialists to assist us with the assessment of this; ▪ reconciling the forecast used in the CGU impairment models for 2021 and beyond 	<p>We consider the group's conclusions in respect of impairment of intangible and tangible assets are appropriate, and that the £12.3m impairment of goodwill is fairly stated.</p> <p>The impairment disclosures are in accordance with accounting standards.</p>

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>to the scenario analysis prepared for use elsewhere in the group, e.g., the going concern review; and</p> <ul style="list-style-type: none"> ▪ challenging whether the forecast growth rates have been appropriately adjusted to reflect the group's strategy and the changes experienced in the year through understanding how the assumptions were formed, together with comparing them to observable market data; <p>We performed sensitivities on the group's forecasts by incorporating reasonable possible changes in key assumptions including EBITDA growth rates and the discount rate and assessed the decline in headroom/change in impairment;</p> <p>Where CGUs were not impaired, we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring; and</p> <p>We audited the disclosures in note 13 against the requirements of FRS102.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Nasstar acquisition accounting</p> <p><i>Refer to the Accounting policies (page 36); and Note 12 of the Consolidated Financial Statements (pages 51 and 63)</i></p> <p>There is a higher likelihood of occurrence and a higher magnitude of potential misstatement in relation to the allocation of fair value to assets on acquisition of Nasstar PLC, which is based on the following factors:</p> <p>1) Nature of acquisition</p> <p>Nasstar PLC was acquired under Divitias Bidco Limited during January 2020. On acquisition, all the assets</p>	<p>We inspected the sale and purchase agreement to assess the completeness of the acquired assets and liabilities, including intangible assets identified by management, and agreed key details into the accounting applied, to include validating the consideration paid to the bank statement.</p> <p>We assessed the competence and independence of management's specialist by considering their experience in the sector that the group operates and obtaining direct confirmation of their independence from the group.</p> <p>We engaged EY valuation specialists to assist us with the audit of the</p>	<p>The purchase price allocation, which includes the identification and fair value of the assets and liabilities acquired, is materially correct.</p> <p>The value of the intangible assets outside of goodwill were:</p> <ul style="list-style-type: none"> - Tradename £3.8m - Customer relationships £33.2m <p>Both values were within the range identified of £3.5 - £3.9m (Tradenames) and £32.4m - £33.6m (Customer relationships).</p> <p>The related disclosures in the financial statements are in accordance with FRS102.</p>

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>and liabilities should reflect the fair value of their condition at the time. There is judgement required to assess the fair value of all assets and liabilities.</p> <p>2) Inherent complexity of valuation process</p> <p>There is a risk that management (with the input from their specialist) do not identify all assets and liabilities acquired or ascribe the appropriate fair values.</p>	<p>acquisition accounting model, independently calculating an internal rate of return (IRR) and determining a reasonable range as a corroboration for the appropriateness of the discount rate used by management in calculating the trade name intangible asset.</p> <p>We benchmarked the assumptions applied against other acquisitions in the same industry to consider whether the assumptions appear reasonable for the identified assets. We assessed prospective financial information for reasonableness by evidence against past performance and external market factors to support growth assumptions. We identified the journal entries applied to intangible assets and matched all adjustments to the valuation report.</p> <p>We considered the extent that deferred revenue has been correctly fair valued to match only the extent of the cost to deliver (plus ascribable margin). With the support of the EY tax team, we assessed the valuation of the deferred tax liability on acquisition.</p> <p>We audited the disclosures in notes 13 and 26 against the requirements of FRS102.</p>	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

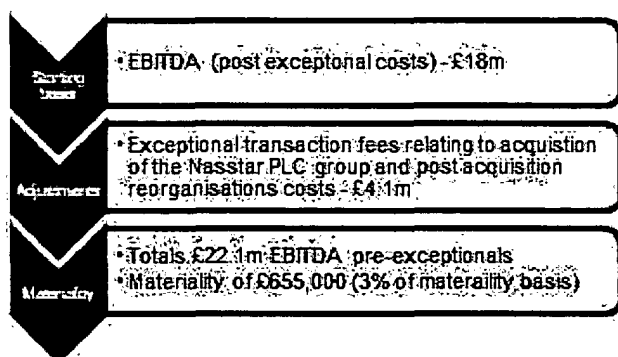
Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £655,000 (2019: £719,000), which is 3% (2019: 5%) of Adjusted EBITDA (being group EBITDA pre-exceptional items). We believe that Adjusted EBITDA provides us with the most appropriate basis for the group, as the primary internal KPI, is applicable for the covenant requirements and will be a core measure used on a future exit as applicable.

We determined materiality for the Parent Company to be £655,000 (2019: £168,000), which is 3% (2019: 3%) of gross assets. Materiality is set on this basis given the primary activity of the parent company is to hold investments in subsidiary companies.



During the course of our audit, we reassessed initial materiality and did not amend our approach from initial considerations.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, being £327,500 (2019: £359,900). We have set performance materiality at this percentage due to the history of errors identified.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £66,300 to £198,900 (2019: £84,000 to £218,400).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £33,000 (2019: £36,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1-13, 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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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 and 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.

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

Explanation as to what extent 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 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

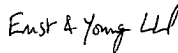
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
 - Financial statement framework - The statutory accounts are prepared under FRS 102. The accounts are also subject to Companies Act requirements.
 - HMRC regulations regarding accounting for income tax.
 - The group operates within the telecommunications sector in the UK and is regulated by Ofcom and subject to the conditions of the Communications Act 2003.
 - GDPR (General Data Protection Regulations) requires all users to ensure personal data is kept safe.
- We understood how Nasstar Group Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee, as well as observation in Audit Committee meetings and consideration of the results of our audit procedures across the group. We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at the entity level and whether the design of those controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as applying data analytics techniques to support in the assessment of the population of manual journal entries into our audit approach, which was designed to provide reasonable assurance that the financial statements were free from material fraud and error. Further discussion of our approach to management override is set out in the Key Audit Matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business and enquiries of management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards and UK legislation.

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

Independent Auditors' Report to the Members of Nasstar Group Limited (formerly Divitias Midco Limited) (continued)

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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Adrian Roberts (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

No 1. Colmore Square
Birmingham
B4 6HQ

Date: 29 September 2021

Nasstar Group Limited (formerly Divitias Midco Limited)

**Consolidated Income Statement
For the Year Ended 31 December 2020**

	Note	2020 £	As restated 2019 £
Turnover	2	113,876,103	93,263,708
Cost of sales		(46,901,782)	(45,446,098)
Gross profit		66,974,321	47,817,610
Administrative expenses		(45,229,788)	(35,771,657)
Other operating income – furlough credits	3	368,054	-
EBITDA		22,112,587	12,045,953
Depreciation	13	(3,809,630)	(1,850,720)
Amortisation	12	(29,227,351)	(20,720,479)
Impairment of tangible assets	13	(589,873)	-
Impairment of intangible assets	12	(12,272,451)	-
Gain/(loss) on disposals		200	2,619
Other operating income – R&D tax credits	3	145,800	201,305
Impairment of non-working capital debtor		-	(604,333)
Exceptional items	11	(4,153,527)	(2,827,562)
Operating loss	4	(27,794,245)	(13,753,217)
Interest receivable and similar income	8	12,485	1,374
Interest payable and similar expenses	9	(27,584,112)	(19,550,082)
Loss before tax		(55,365,872)	(33,301,925)
Tax on loss	10	(79,950)	343,837
Loss for the financial year		(55,445,822)	(32,958,088)
Loss for the year attributable to:			
Owners of the controlling party		(55,445,822)	(32,958,088)
		<u>(55,445,822)</u>	<u>(32,958,088)</u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated income statement.

The notes on pages 36 to 67 form part of these financial statements.

Nasstar Group Limited (formerly Divitias Midco Limited)
Registered number: 11334361

Consolidated Statement of Financial Position
As at 31 December 2020


	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	212,038,419	173,717,086
Tangible assets	13	10,145,179	8,356,029
		<u>222,183,598</u>	<u>182,073,115</u>
Current assets			
Stocks	15	859,187	861,391
Debtors: amounts falling due within one year	16	31,434,878	31,141,407
Cash at bank and in hand		12,913,765	3,613,103
		<u>45,207,830</u>	<u>35,615,901</u>
Creditors: amounts falling due within one year	17	(54,958,367)	(54,231,077)
Net current liabilities		<u>(9,750,537)</u>	<u>(18,615,176)</u>
Total assets less current liabilities		<u>212,433,061</u>	<u>163,457,939</u>
Creditors: amounts falling due after more than one year	18	(308,902,706)	(212,967,469)
Provisions for liabilities			
Deferred tax	21	(11,539,284)	(5,761,606)
Other provisions	22	(3,058,029)	(350,000)
		<u>(14,597,313)</u>	<u>(6,111,606)</u>
Net liabilities		<u>(111,066,958)</u>	<u>(55,621,136)</u>

Nasstar Group Limited (formerly Divitias Midco Limited)
Registered number: 11334361

Consolidated Statement of Financial Position (continued)
As at 31 December 2020

	Note	2020 £	2019 £
Capital and reserves			
Called up share capital	23	1	1
Profit and loss account	24	(111,066,959)	(55,621,137)
		<u>(111,066,958)</u>	<u>(55,621,136)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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K J Budge
 Director

Date: September 29, 2021

The notes on pages 36 to 67 form part of these financial statements.

Nasstar Group Limited (formerly Divitias Midco Limited)
Registered number: 11334361

Company Statement of Financial Position
As at 31 December 2020

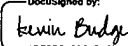
	Note	2020 £	2019 £
Fixed assets			
Investments	14	1	1
		<u>1</u>	<u>1</u>
Current assets			
Debtors: amounts falling due after more than one year	16	25,498,840	23,122,168
Debtors: amounts falling due within one year	16	174,862,103	112,204,772
		<u>200,360,943</u>	<u>135,326,940</u>
Creditors: amounts falling due within one year	17	(30,213,239)	(26,537,161)
Net current assets		<u>170,147,704</u>	108,789,779
Total assets less current liabilities		<u>170,147,705</u>	<u>108,789,780</u>
Creditors: amounts falling due after more than one year	18	(171,195,296)	(109,527,579)
Net liabilities		<u>(1,047,591)</u>	<u>(737,799)</u>

Nasstar Group Limited (formerly Divitias Midco Limited)
Registered number: 11334361

Company Statement of Financial Position (continued)
As at 31 December 2020

	Note	2020 £	2019 £
Capital and reserves			
Called up share capital	23	1	1
Profit and loss account brought forward	24	(737,800)	(253,717)
Loss for the year	24	(309,792)	(484,083)
Profit and loss account carried forward	24	(1,047,592)	(737,800)
		<u>(1,047,591)</u>	<u>(737,799)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/09/21

DocuSigned by:

K J Budge
 Director

The notes on pages 36 to 67 form part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The loss after tax of the parent Company for the year was £309,792 (2019 - loss £484,083).

Nasstar Group Limited (formerly Divitias Midco Limited)

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1	(22,663,049)	(22,663,048)
Comprehensive expense for the period			
Loss for the year	-	(32,958,088)	(32,958,088)
	<hr/>	<hr/>	<hr/>
At 1 January 2020	1	(55,621,137)	(55,621,136)
Comprehensive expense for the year			
Loss for the year	-	(55,445,822)	(55,445,822)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	1	(111,066,959)	(111,066,958)

The notes on pages 36 to 67 form part of these financial statements.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Company Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1	(253,717)	(253,716)
Comprehensive expense for the period			
Loss for the year	-	(484,083)	(484,083)
	<hr/>	<hr/>	<hr/>
At 1 January 2020	1	(737,800)	(737,799)
Comprehensive expense for the period			
Loss for the year	-	(309,792)	(309,792)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	1	(1,047,592)	(1,047,591)

The notes on pages 36 to 67 form part of these financial statements.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Consolidated Statement of Cash Flows
For the Year Ended 31 December 2020**

	2020	2019
	£	£
Cash flows from operating activities		
Loss for the financial year	(55,445,822)	(32,958,088)
Adjustments for:		
Amortisation of intangible assets	29,227,351	20,720,479
Depreciation of tangible assets	3,809,630	1,850,720
Impairments of tangible assets	589,873	-
(Gain)/loss on disposal of tangible assets	(200)	(2,619)
Other operating income	(513,854)	(201,305)
Interest charge	27,584,112	19,550,082
Interest received	(12,485)	(1,374)
Taxation (credit)/charge	79,950	(343,837)
Decrease in stocks	112,628	756,396
Decrease in debtors	6,549,335	399,681
Decrease in creditors	(7,494,285)	(2,102,664)
Increase in provisions	2,349,606	350,000
Impairments of intangible assets	12,272,451	-
Corporation tax (paid)/received	(1,672,182)	51,775
Impairment of deferred consideration receivable	-	604,333
Net cash generated from operating activities	17,436,108	8,673,579
Cash flows from investing activities		
Purchase of intangible fixed assets	(112,813)	(963,279)
Purchase of tangible fixed assets	(1,900,612)	(3,058,052)
Purchase of subsidiary undertaking, net of cash acquired	(76,047,100)	-
Purchase of subsidiary undertaking	-	(13,431,674)
Net cash acquired with subsidiary undertaking	-	394,880
Interest received	12,485	1,374
Deferred consideration received	449,000	547,667
Deferred consideration paid	(1,951,851)	-
Repayment from previous acquisition	363,014	-
Net cash from investing activities	(79,187,877)	(16,509,084)

Nasstar Group Limited (formerly Divitias Midco Limited)

**Consolidated Statement of Cash Flows (continued)
For the Year Ended 31 December 2020**

	2020	2019
	£	£
Cash flows from financing activities		
New secured loans	35,000,000	14,500,000
Repayment of loans	(954,279)	-
Management loan notes	46,920,000	-
Interest paid	(8,416,638)	(5,964,634)
Loan note interest paid	(153,203)	-
Cash cost of raising finance	(1,343,449)	-
Net cash used in financing activities	71,052,431	8,535,366
Net increase in cash and cash equivalents	9,300,662	699,861
Cash and cash equivalents at beginning of year	3,613,103	2,913,242
Cash and cash equivalents at the end of year	<u>12,913,765</u>	<u>3,613,103</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	12,913,765	3,613,103
	<u>12,913,765</u>	<u>3,613,103</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies

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

Prior year adjustments relate to the correction of a material prior period error. See Note 27 for further details of the prior year adjustment recognised.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- a) Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- b) Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole as per Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- c) the requirement of Section 33 Related Party Disclosures paragraph 33.7; and
- d) the requirement of the parent company's cash flow statement.

The following principal accounting policies have been applied:

1.2 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 Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 27 April 2018.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)**1.3 Going concern**

Notwithstanding the Group's net liabilities of £111,066,958 (2019 - £55,621,136), which include net amounts owed to group undertakings of £47,855,692 (2019 - £47,203,183), the directors believe the preparation of the financial statements on a going concern basis to be appropriate for the reasons set out below.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 9. The Principal risks and uncertainties section includes a description of the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As at the time of writing, the Group is funded by a £173.5m Senior Facilities Agreement ('SFA') and loan notes of £121.6m. The Group also has access to a Revolving Credit Facility (currently undrawn) to provide additional significant liquidity headroom. As part of the amended SFA from the acquisition of KCOM National Business in August 2021 (see Note 32), the Revolving Credit Facility has increased to £15.0m. The SFA has a quarterly leverage covenant test measured as last 12 months adjusted EBITDA as a proportion of net debt.

The Board has considered the impact of the ongoing COVID 19 impact. Despite the COVID 19 pandemic the Group has traded profitably and increased its cash position by £5.1m during H1 2021 (£8.1m during H1 2020). H1 revenues are slightly suppressed from budget but a continued strong cost out programme following the acquisition of Nasstar plc in January 2020 has mitigated this resulting in an EBITDA that is only slightly below budget. Management have continued to monitor ongoing performance closely through the date of these financial statements. however, it is still too early to ascertain the impact that COVID 19 may have on our full year 2021 revenue and profitability.

The Board performed a number of stress tests to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Group is forecast to be in compliance with the leverage covenant per the SFA.

The Directors have prepared detailed forecasts for the Group covering a period through to 30 September 2022 on which to assess going concern, plus have considered their strategic outlook beyond this period to assess if there are any conditions or expected outcomes that would cast significant doubt over the going concern conclusion. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from H1 2021 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

In the sensitised scenario, reflecting a severe but plausible downside, the forecasts indicate the Group would still have sufficient profitability for the Group to meet its covenant requirements and would retain sufficient liquidity to fund operations. In the reverse stress tested scenario, the Group may need some mitigation such as reducing discretionary spend and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's position.

Having considered all the above, including the Group's current financial position, the directors remain confident in the long term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)**1.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

The main services that the Group provides to its customers are as follows:

- 1) Managed IT Services
- 2) Cyber Security as a Service
- 3) Cloud Services
- 4) Collaboration and Communication Services
- 5) Contact Centre Transformation
- 6) IT Professional Services
- 7) Managed Network Services

The services are categorised dependant on their terms and conditions as follows:

- 1) Recurring revenue, being regular and contracted revenues; and
- 2) Non-Recurring revenue, being one-off items such as hardware or software.

Revenue is recognised when the following conditions are met:

- the Group has transferred the significant risks and rewards of ownership to the customer;
- the amount of turnover can be measured reliably;
- it is probable that the Group 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.

The Group assesses whether the criteria for revenue recognition have been met by ensuring that products have been delivered and services have been completed in line with their contracts.

Our customer contracts vary in length and are wholly dependant on the customers' individual needs. Some contracts, by nature of their complexity, extend for greater than 2 years, however most regular contracts have an annual renewal period.

1.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

Following a review made by the Directors, the capitalisation of labour on small value projects will no longer be made; capitalisation will be assessed for large projects and determination as to whether labour capitalisation is appropriate.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)**1.6 Interest income**

Interest income is recognised in the Consolidated Income Statement using the effective interest method.

1.7 Finance costs

Finance costs are charged to the Consolidated Income Statement over the term of the debt using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated financial liability.

1.8 Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

1.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, 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.

1.10 Exceptional items

Items are classified as exceptional where they are material and do not represent normal costs of the business and will not be incurred again in the normal course of business. Such items are recognised as an exceptional expense in the consolidated income statement in the period they are incurred.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)

1.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in 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 to the Consolidated Income Statement over its useful economic life.

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.

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:

Patents and licences	-	5	years
Development expenditure	-	3	years
Goodwill	-	10	years
Customer lists	-	10	years

Management has elected to recognise customer relationships separately under FRS 102.18.8.

1.12 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.

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:

Freehold property	- 2%	straight line
Leasehold improvements	-	over the lease term
Fixtures and fittings	- 20%	straight line
Core network	- 20%	straight line

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 Consolidated Income Statement.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)**1.13 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.15 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 first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)

1.16 Financial instruments

The Group only enters into basic financial instrument 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 ordinary shares.

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 Consolidated Income Statement.

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.

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.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

1. Accounting policies (continued)**1.17 Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise.

The estimates and judgements that have the most significant effect on the amounts included in these financial statements are as follows:

- Intangible assets and goodwill carrying values

Intangible assets and goodwill are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group is assessed as 3 cash generating units.

As part of our regular annual reviews, an impairment charge totalling £12.3m has been applied against Goodwill in relation to acquisitions made by the Group. Judgements and estimates were applied during the Director's assessment of the carrying value of the cash generating units, particularly around the long-term growth rate, discount rate and the cash forecasts within the Business value calculations.

The carrying value was assessed using a 1 year budget + 4 year strategic plan. These cash flows were risk adjusted based upon variance to budget year to date, a long-term growth rate of 2.25% (2019 - 3%) was applied and the cash flows were then discounted at the Group's WACC of 8% (2019 - 8%).

- Fair value of acquired assets

The Group can acquire identifiable assets both individually and as part of business combinations. Management estimate the fair value of identifiable assets by considering the present value of the expected future economic benefits to be generated by the asset.

- Valuation of investments in subsidiary undertakings

The carry value is regularly reviewed by reference to the net assets or liabilities of the subsidiary undertakings and current and expected future trading prospects. If there is evidence of impairment the carrying amount of the investment is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

- Classification of exceptional items

Items are classified as exceptional where they are material and do not represent normal costs of the business and will not be incurred again in the normal course of business. Such items are recognised as an exceptional expense in the consolidated income statement in the period they are incurred.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

2. Turnover

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

	2020 £	2019 £
Monthly recurring revenue	91,916,717	65,009,736
Non-recurring revenue	21,959,386	28,253,972
	<u>113,876,103</u>	<u>93,263,708</u>

	2020 £	2019 £
United Kingdom	105,793,702	89,091,899
Rest of Europe	1,933,689	510,447
Rest of the world	6,148,712	3,661,362
	<u>113,876,103</u>	<u>93,263,708</u>

3. Other operating income

	2020 £	2019 £
Other operating income	513,854	201,305
	<u>513,854</u>	<u>201,305</u>

Other operating income in the prior year consisted of R&D tax credits.

In the current year, other operating income is comprised of furlough credits totalling £368,054 and R&D tax credits of £145,800.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

4. Operating loss

The operating loss is stated after charging:

	2020	2019
	£	£
Exchange differences	135,069	11,356
Other operating lease rentals	797,133	509,982
Amortisation	29,227,351	20,720,479
Depreciation	3,809,630	1,850,720
Impairment of tangible assets	589,873	-
Impairment of intangible assets	12,272,451	-

5. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>360,000</u>	<u>300,000</u>

Fees payable to the Group's auditor and its associates in respect of:

All other services – corporate finance transactions	<u>428,000</u>	<u>405,755</u>
Total fees paid to auditors	<u>788,000</u>	<u>705,755</u>

Fees payable to the Group's auditor in respect of the audit of the Parent company, Nasstar Group Limited, total £20,000 (2019 - £20,000).

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

6. Employees

Staff costs were as follows:

	Group 2020 £	Group 2019 £
Wages and salaries	31,390,537	30,737,600
Social security costs	3,713,393	2,966,211
Cost of defined contribution scheme	1,995,523	1,378,238
	<u>37,099,453</u>	<u>35,082,049</u>

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

	2020 No.	2019 No.
Product staff	271	227
Operational staff	232	194
Selling staff	108	90
Administrative staff	89	74
	<u>700</u>	<u>585</u>

The Parent Company has no employees other than the Directors, who did not receive any remuneration (2019 - £NIL) in their capacity as Directors of the Company. The Directors of the Parent Company are remunerated by GCI Network Solutions Limited, a wholly owned subsidiary of Nasstar Group Limited. No recharges have been made to the Parent Company (2019 - £nil).

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

7. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	493,702	735,706
Company contributions to defined contribution pension schemes	<u>11,385</u>	<u>30,185</u>

During the year retirement benefits were accruing to 2 Directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £318,740 (2019 - £302,291).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £11,385 (2019 - £3,015).

8. Interest receivable

	2020	2019
	£	£
Other interest receivable	12,485	1,374
	<u>12,485</u>	<u>1,374</u>

9. Interest payable and similar expenses

	2020	2019
	£	£
Bank loan interest	8,701,852	6,082,802
Amortised finance costs	906,382	958,709
Loan note interest	17,946,170	12,505,424
Other interest	29,708	3,147
	<u>27,584,112</u>	<u>19,550,082</u>

Bank loan interest is charged at 5.25%-5.75% above base rate per annum, on a balance totalling £140,500,000 (2019 - £105,500,000) at the year end.

Amortised finance costs comprise of the release of costs in relation to the financing of the Group.

Loan note interest is charged on loan notes held with the controlling parent and the ultimate controlling parent. Interest on the loan notes is charged at 10%. This debt is listed on The International Stock Exchange (TISE).

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on losses for the year	348,000	250,000
Adjustments in respect of previous periods	(236,571)	(530,948)
	<u>111,429</u>	<u>(280,948)</u>
Total current tax	<u>111,429</u>	<u>(280,948)</u>
Deferred tax		
Origination and reversal of timing differences	(1,072,766)	(172,600)
Adjustment in respect of previous periods	(330,810)	109,711
Effect of change in tax rate on opening balance	1,372,097	-
Total deferred tax	<u>(31,479)</u>	<u>(62,889)</u>
Taxation charge/(credit) on loss	<u>79,950</u>	<u>(343,837)</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

10. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
Loss before tax	<u>(55,365,872)</u>	<u>(33,301,925)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(10,519,516)	(6,327,366)
Effects of:		
Expenses not deductible for tax purposes	8,459,809	5,223,385
Adjustments to tax charge in respect of prior periods	(567,381)	(421,237)
Fixed asset differences	-	44,255
Changes to tax rates	1,372,097	(61,717)
R&D expenditure credits	-	(439)
Overseas tax rate difference	46,996	-
Group relief	917,320	836,795
Movement in unrecognised deferred tax	361,180	359,732
Transfer pricing adjustments	9,445	2,755
Total tax charge/(credit) for the year	<u>79,950</u>	<u>(343,837)</u>

Factors that may affect future tax charges

In his budget of 2021, the Chancellor of the Exchequer proposed to increase the standard rate of corporation tax from the current rate of 19% to 25%, effective 1 April 2023. The change was substantively enacted on 24 May 2021, after the balance sheet date, and therefore does not impact on the carrying value of deferred tax assets and liabilities in the financial statements. It is estimated that the impact of the proposed change will be to increase the carrying value of the Company's deferred tax liability by approximately £2,603k. However, any changes to deferred tax will only be reflected once the proposed rate increase is substantively enacted.

The amount of the net reversal of deferred tax expected to occur next 12 months is approximately £1,115k.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

11. Exceptional items

	2020	2019
	£	£
Exceptional items	4,153,527	2,827,562
	<u>4,153,527</u>	<u>2,827,562</u>

Exceptional costs in the current year are comprised of the following:

	2020	2019
	£	£
Reorganisation costs	2,551,970	2,247,692
Exceptional legal and professional fees	228,368	-
Exceptional contract settlement	583,606	-
Settlement of disputed costs	250,000	-
Other exceptional costs	539,583	579,870
	<u>4,153,527</u>	<u>2,827,562</u>

Reorganisation costs have been incurred during the year following acquisitions made. These are post-acquisition reorganisation costs.

Exceptional costs relating to legal and professional fees are, in the main, Group restructuring advice and fees relating to the 2019 Connect restatement.

Nasstar Group negotiated the early termination of a long term contract as part of an agreed restructuring service delivery with a major partner.

A wholly owned subsidiary of the Nasstar Group completed a settlement of disputed costs with one of our preferred suppliers, no further costs will arise.

Other exceptional costs do not represent normal operating costs of the business and will not be incurred again in the normal course of business; accordingly, these have been classified as exceptional.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

12. Intangible assets

Group

	Patents and licences £	Development expenditure £	Customer lists £	Trade names £	Goodwill £	Total £
Cost						
At 1 January 2020 (as previously stated)	1,747,123	3,604,596	44,587,900	-	157,501,279	207,440,898
Modality acquisition	-	-	-	-	(648,920)	(648,920)
At 1 January 2020 (as restated)	1,747,123	3,604,596	44,587,900	-	156,852,359	206,791,978
Additions	-	112,813	-	-	-	112,813
On acquisition of subsidiaries	-	907,167	33,173,000	3,754,000	42,523,075	80,357,242
At 31 December 2020	1,747,123	4,624,576	77,760,900	3,754,000	199,375,434	287,262,033
Amortisation						
At 1 January 2020	500,077	478,625	7,167,807	-	25,577,303	33,723,812
Charge for the year	206,721	955,639	7,608,127	348,659	20,108,205	29,227,351
Impairment charge	-	-	-	-	12,272,451	12,272,451
At 31 December 2020	706,798	1,434,264	14,775,934	348,659	57,957,959	75,223,614
Net book value						
At 31 December 2020	<u>1,040,325</u>	<u>3,190,312</u>	<u>62,984,966</u>	<u>3,405,341</u>	<u>141,417,475</u>	<u>212,038,419</u>
At 31 December 2019 (as restated)	<u>1,247,046</u>	<u>3,125,971</u>	<u>37,420,093</u>	<u>-</u>	<u>131,923,976</u>	<u>173,717,086</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

12. Intangible assets (continued)

See Note 26 for further details on additions from the acquisition of subsidiaries, together with the subsequent adjustment re the Modality acquisition.

As part of our regular annual reviews, an impairment charge totalling £12.3m has been applied against Goodwill in relation to acquisitions made by the Group. The Directors have assessed that the carrying value of 2 of the 3 cash generating units are impaired, mainly due to the effect of the Covid-19 pandemic and associated detrimental market impacts.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

13. Tangible fixed assets

Group

	Freehold property £	Leasehold improvements £	Fixtures and fittings £	Core network £	Total £
Cost or valuation					
At 1 January 2020	2,455,820	644,982	2,794,827	6,065,890	11,961,519
Additions	-	222,702	245,244	1,432,666	1,900,612
Acquisition of subsidiary	-	-	3,728,575	575,269	4,303,844
Disposals	-	-	(19,325)	-	(19,325)
Exchange adjustments	-	(4,693)	9,175	(29,877)	(25,395)
At 31 December 2020	<u>2,455,820</u>	<u>862,991</u>	<u>6,758,496</u>	<u>8,043,948</u>	<u>18,121,255</u>
Depreciation					
At 1 January 2020	210,332	165,464	1,483,329	1,746,365	3,605,490
Charge for the year on owned assets	33,081	21,743	1,953,679	1,801,127	3,809,630
Disposals	-	-	(18,978)	-	(18,978)
Impairment charge	430,311	159,562	-	-	589,873
Exchange adjustments	-	12,530	677	(23,146)	(9,939)
At 31 December 2020	<u>673,724</u>	<u>359,299</u>	<u>3,418,707</u>	<u>3,524,346</u>	<u>7,976,076</u>
Net book value					
At 31 December 2020	<u>1,782,096</u>	<u>503,692</u>	<u>3,339,789</u>	<u>4,519,602</u>	<u>10,145,179</u>
At 31 December 2019	<u>2,245,488</u>	<u>479,518</u>	<u>1,311,498</u>	<u>4,319,525</u>	<u>8,356,029</u>

See Note 26 for further details on additions from the acquisition of subsidiaries.

Due to the transition to more remote working, properties were tested as individual assets for impairment and, as the decision vacate and the process of vacation begun prior to the year end, this was the trigger for impairment review under FRS 102.27.7. Impairment charges have been applied on properties that were vacated after the year end, bringing the net book value of these properties down to their recoverable value.

Finance leases

Assets under finance lease arrangements have a net book value of £307,116 (2019: £nil) at the year end and are included within Core Network.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

14. Fixed asset investments**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Nasstar Limited (formerly Divitias Bidco Limited)*	England and Wales	Ordinary	100%
Nasstar Managed Services Group Limited (formerly GCI Managed Services Group Limited)	England and Wales	Ordinary	100%
GCI Network Solutions Limited	England and Wales	Ordinary	100%
Blue Chip Data Systems Limited	England and Wales	Ordinary	100%
Freedom Communications (U.K.) Limited	England and Wales	Ordinary	100%
Packet Media Limited	England and Wales	Ordinary	100%
Fusion Media Networks Limited	England and Wales	Ordinary	100%
Evolution Telco Limited	England and Wales	Ordinary	100%
Erskine Logie Cloud Limited	Scotland	Ordinary	100%
IA3 Limited	England and Wales	Ordinary	100%
Edge Contact Solutions Limited	England and Wales	Ordinary	100%
Modality Systems Limited	England and Wales	Ordinary	100%
Modality Systems Inc.	Delaware, USA	Ordinary	100%
Modality Systems Pty Ltd	Australia	Ordinary	100%
ACT Teleconferencing Malaysia Sdn. Bhd	Malaysia	Ordinary	100%
Packet Media Holdings Limited***	England and Wales	Ordinary	100%
Fusion Managed Services Limited***	England and Wales	Ordinary	100%
Freedom Communications Limited***	England and Wales	Ordinary	100%
Edge Telecommunications Limited***	England and Wales	Ordinary	100%
Global Communication Integrators Limited***	England and Wales	Ordinary	100%
Sweet Telecom Limited***	England and Wales	Ordinary	100%
Netservices UK Limited***	England and Wales	Ordinary	100%
IP Infrastructures Limited***	England and Wales	Ordinary	100%
Edge Technical Resources Limited***	England and Wales	Ordinary	100%
Invomo Limited***	England and Wales	Ordinary	100%
Digital IP Holdings Limited***	England and Wales	Ordinary	100%
Digital IP Limited***	England and Wales	Ordinary	100%
Edge Telecom Limited***	England and Wales	Ordinary	100%
Nasstar Services Limited (formerly Nasstar plc and Nasstar Limited) * & **	England and Wales	Ordinary	100%
Nasstar (UK) Limited **	England and Wales	Ordinary	100%
Denara Holdings Limited**	England and Wales	Ordinary	100%
Nasstar for Recruitment Limited **	England and Wales	Ordinary	100%
Nasstar Trading Limited (formerly Nasstar Group Limited) **	England and Wales	Ordinary	100%
e-know Inc**	USA	Ordinary	100%
Denara Technologies Limited**	England and Wales	Ordinary	100%
Nasstar South Limited **	England and Wales	Ordinary	100%
Modrus NZ Limited **	New Zealand	Ordinary	100%

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

*Direct subsidiary of parent company, the remaining are indirect holdings

**Acquisition during the period, see Note 26 for further details

***Dormant entity

All of the above companies have been consolidated in the group accounts.

The notes to the consolidated financial statements include all formant subsidiaries that are exempt from preparing and filing individual accounts by virtue of s394A of Companies Act 2006.

Fusion Media Networks Limited, Packet Media Limited, Evolution Telco Limited, Erskine Logie Cloud Limited, IA3 Limited and Edge Contact Solutions Limited have claimed the exemption from their individual entity audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. These entities have been audited at Group level for inclusion within these consolidated financial statements.

15. Stocks

	Group 2020 £	Group 2019 £
Work in progress	18,675	198,381
Finished goods and goods for resale	840,512	663,010
	<u>859,187</u>	<u>861,391</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

16. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Debtors: Amounts falling due after more than one year				
Amounts owed by group companies	-	-	25,498,840	23,122,168
	<u>-</u>	<u>-</u>	<u>25,498,840</u>	<u>23,122,168</u>

The contractual obligation for the above to be repaid is in 2026.

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Debtors: Amounts falling due within one year				
Trade debtors	16,187,102	20,260,306	-	-
Amounts owed by group companies	-	-	174,856,152	112,167,184
Amounts owed by controlling parent	4,451,656	933,354	-	34,538
Other debtors	507,652	320,194	-	3,050
Other non-working capital debtors	-	449,000	-	-
Prepayments and accrued income	9,268,819	9,177,553	5,951	-
Corporation tax recoverable	1,018,649	-	-	-
Financial instruments	1,000	1,000	-	-
	<u>31,434,878</u>	<u>31,141,407</u>	<u>174,862,103</u>	<u>112,204,772</u>

Included within Trade debtors is a bad debt provision totalling £2,218,252 (2019 - £2,974,454). During the year, a bad debt expense of £297,102 (2019 - £1,166,307) has been incurred.

Other non-working capital debtors relate to deferred consideration in relation to the sale of Evolution Telco Limited in 2017. During the year ended 31 December 2019 an impairment charge of £604,333 was made in relation to this non-working capital debtor.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

17. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	259,712	72,785	-	-
Trade creditors	6,602,634	8,956,469	10,375	18,297
Amounts owed to group companies	-	-	3,393,999	2,297,102
Amounts owed to controlling parent	26,808,508	24,221,405	26,808,508	24,221,405
Corporation tax	-	235,212	-	-
Other taxation and social security	3,241,780	3,426,656	-	-
Finance lease liability	166,095	-	-	-
Other creditors	313,541	2,150,044	-	-
Accruals and deferred income	17,566,097	15,168,506	357	357
	<u>54,958,367</u>	<u>54,231,077</u>	<u>30,213,239</u>	<u>26,537,161</u>

The loans payable to the controlling parent are repayable on demand, are unsecured and interest is charged at 10% p.a. which is accrued daily. Although the balances have no fixed repayment terms it is not expected that repayments will be required within the next 12 months.

18. Creditors: Amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	137,707,410	103,439,890	-	-
Amounts owed to controlling parent	25,498,840	23,122,168	25,498,840	23,122,168
Amounts owed to ultimate controlling party	125,452,307	85,612,447	125,452,307	85,612,447
Amounts owed to other shareholders	20,244,149	792,964	20,244,149	792,964
	<u>308,902,706</u>	<u>212,967,469</u>	<u>171,195,296</u>	<u>109,527,579</u>

Amounts owed to ultimate controlling party comprise of loan notes payable to Mayfair Equity Partners who own the majority of the share capital of the entire Group. This debt is listed on The International Stock Exchange (TISE).

Amounts owed to controlling parent, ultimate controlling party and to other shareholders are repayable on 30 June 2026, are unsecured and interest is charged at 10% p.a. which is accrued daily.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

19. Loans

The company entered into an agreement in the period to share a group term loan facility of £90,000,000, a term capex facility of £60,000,000 and a revolving facility of £2,500,000, along with other group companies. As part of this agreement the U.S. Bank Trustees Limited hold a cross-group guarantee across all group companies and a debenture over the company including a fixed charge over all present leasehold property: first fixed charge over book and debts, chattels, goodwill and uncalled capital, both present and future: and first floating charge over all assets and undertaking both present and future dated 4 May 2018.

An additional £35,000,000 was drawn down on 3 February 2020 with the same conditions as above.

As at 31 December 2020, £140,500,000 (2019 - £105,500,000) facility had been drawn down by the Group. The balances below are offset by prepaid arrangement fees of £2,792,590 (2019 - £2,060,110).

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due within one year				
Bank loans	259,712	72,785	-	-
	259,712	72,785	-	-
Amounts falling due after more than 5 years				
Bank loans	137,707,410	103,439,890	-	-
Amounts owed to controlling parent	25,498,840	23,122,168	25,498,840	23,122,168
Amounts owed to ultimate controlling party	125,452,307	85,612,447	125,452,307	85,612,447
Amounts owed to other shareholders	20,244,149	792,964	20,244,149	792,964
	308,902,706	212,967,469	171,195,296	109,527,579
	309,162,418	213,040,254	171,195,296	109,527,579

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

20. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £	Group 2019 £
Within one year	153,016	-
Between 1-5 years	13,079	-
	<u>166,095</u>	<u>-</u>

Finance lease liabilities in relation to Core network plant and machinery were acquired through the Nasstar plc acquisition.

21. Deferred taxation**Group**

	2020 £
At beginning of year	(5,761,606)
Charged to profit or loss (Note 10)	31,479
Arising on business combinations (Note 26)	(5,809,157)
At end of year	<u>(11,539,284)</u>

The provision for deferred taxation is made up as follows:

	Group 2020 £	Group 2019 £
Fixed asset timing differences	1,260,571	658,972
Short term timing differences	36,690	18,466
Losses and other deductions	304,204	498,813
Arising on business combinations	(13,140,749)	(6,937,857)
	<u>(11,539,284)</u>	<u>(5,761,606)</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

21. Deferred taxation (continued)

The amount of the net reversal of deferred tax expected to occur next year is £1,660k relating to the reversal of existing timing differences on tangible and intangible fixed assets and the change in tax rate from 19% to 25%. The year end deferred tax liability if recognised at 25% rather than 19% would increase by £3,644k.

The Group has unrecognised a deferred tax asset of £578k in relation to non trading losses of £3m on the basis that these are not expected to be utilised in the foreseeable future.

The Group has £4.1m of unpaid interest carried forward on which a deferred tax asset of £779k has not been recognised due to the uncertainty of the timing of reversal.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

22. Provisions

Group

	Other provisions £
At 1 January 2020	350,000
Charged to profit or loss	2,348,734
Arising on business combinations	359,295
At 31 December 2020	<u>3,058,029</u>

Comprised of:

	2020 £	2019 £
Trading and licensing	622,230	350,000
Telecommunications	565,703	-
Disputed liabilities	1,510,802	-
Onerous leases	359,294	-
	<u>3,058,029</u>	<u>350,000</u>

Trading and licensing provisions relate wholly to those suppliers for which we are obliged to undertake a regular audit assessment through which we agree full and final settlement in respect of any additional compliance costs. The amounts stated were all settled completely during 2021.

Telecommunication provisions relates to a settlement of disputed costs with one of our preferred suppliers and also includes full cover for outstanding liabilities relating to as yet unsettled disputed costs following restructuring of one of our wholly owned subsidiaries. Of this provision, £250,000 has been settled and the timing of the remaining balance is uncertain but is expected to be complete within 24 months.

The provision for Disputed Liabilities relate to (a) three separate claims by customers against provision of services, under contract, by Nasstar Group. These were raised as counter claims to Nasstar Group seeking to recover outstanding receivables arising on the provision of contracted services; (b) one supplier claim for provision of services. The events date prior to Mayfair's acquisition of the GCI Group in April 2018. These claims were secured under the acquisition agreement in April 2018, by named Covenants. During 2020, pursuant to the acquisition agreement, Nasstar Group made a claim against the Covenants, in satisfaction of which the Covenants converted a corresponding portion of their preference shares and their associated share premium to create a provision for these claims. The Directors are of the opinion that the provision remains necessary and they expect the provision to be dealt with within the next 24 months.

Due to the transition to more remote working, the Directors made a decision to exit a number of properties and their associated leases which arose from acquisitions in the year. The Directors expect full utilisation of this provision no later than December 2022.

Whilst some of the settlement timings above are still under negotiation, the amounts provided for are in the Directors opinion reasonably and fairly stated and are assessed on a regular basis.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

23. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1 (2019 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

24. Reserves

Profit and loss account

The retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Losses are retained in the business to offset against future profits.

All amounts are attributable to the equity holders of the company.

25. Analysis of net debt

	At 1 January 2020 £	Cash flows £	Acquisition and disposal of subsidiaries £	At 31 December 2020 £
Cash at bank and in hand	3,613,103	3,873,954	5,426,708	12,913,765
Debt due after 1 year	(212,967,469)	(94,983,907)	(951,330)	(308,902,706)
Debt due within 1 year	(72,785)	(186,927)	-	(259,712)
Finance leases	-	739,363	(905,458)	(166,095)
Liquid investments	1,000	-	-	1,000
	<u>(209,426,151)</u>	<u>(90,557,517)</u>	<u>3,569,920</u>	<u>(296,413,748)</u>

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

26. Business combinations

On 28 January 2020, the Group via one of its subsidiary companies, acquired 100% of the issued share capital of Nasstar plc, a company incorporated in England and Wales with the company number 05623736.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Tangible	4,303,844	-	4,303,844
Intangible	907,167	36,927,000	37,834,167
	<u>5,211,011</u>	<u>36,927,000</u>	<u>42,138,011</u>
Stocks	110,424	-	110,424
Debtors	8,249,441	(203,142)	8,046,299
Cash at bank and in hand	5,426,708	-	5,426,708
	<u>18,997,584</u>	<u>36,723,858</u>	<u>55,721,442</u>
Total assets			
Liabilities due within one year	(8,745,469)	-	(8,745,469)
Liabilities due greater than one year	(951,330)	-	(951,330)
Finance leases	(905,458)	-	(905,458)
Other provisions	(359,295)	-	(359,295)
Deferred tax on differences between fair value and tax bases	468,433	(6,277,590)	(5,809,157)
	<u>8,504,465</u>	<u>30,446,268</u>	<u>38,950,733</u>
Total identifiable net assets			
Goodwill			42,523,075
			<u>81,473,808</u>
Total purchase consideration			
Consideration			£
Cash			81,473,808
			<u>81,473,808</u>
Total purchase consideration			
Cash outflow on acquisition			£
Purchase consideration settled in cash, as above			79,423,585
Directly attributable costs			2,050,223
			<u>81,473,808</u>
Less: Cash and cash equivalents acquired			(5,426,708)
			<u>76,047,100</u>
Net cash outflow on acquisition			

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

Goodwill has a useful life of 10 years and represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition.

The results of Nasstar Group since its acquisition are as follows:

	Current period since acquisition £
Turnover	<u><u>22,322,944</u></u>
Profit for the period	<u><u>3,780,620</u></u>

On 2 June 2019, the Group via one of its subsidiary companies, acquired 100% of the issued share capital of the following entities:

Modality Systems Limited, a company incorporated in England and Wales with the company number 06143649;

ACT Teleconferencing Malaysia Sdn. Bhd, a private limited company incorporated in Malaysia with company number 833491 M;

Modality Systems Inc., a Delaware corporation; and

Modality Systems Pty Ltd, an Australian proprietary company limited by shares (company number CAN 168 971 677).

	Book value £	Fair value adjustment £	Fair value £
Tangible	395,709	-	395,709
Intangible	504,866	6,317,628	6,822,494
	<u>900,575</u>	6,317,628	<u>7,218,203</u>
Debtors	4,207,430	-	4,207,430
Cash at bank and in hand	394,880	-	394,880
	<u>5,502,885</u>	6,317,628	<u>11,820,513</u>
Total assets			
Due within one year	(4,605,736)	-	(4,605,736)
Deferred tax on differences between fair value and tax bases	(61,718)	(1,073,997)	(1,135,715)
	<u>835,431</u>	<u>5,243,631</u>	<u>6,079,062</u>
Total identifiable net assets			

The Book Value of the acquired Modality Group has been updated from the prior year disclosure due to purchase consideration being returned and additional information being provided on the assets acquired. Please see Note 12 to see the corresponding change to Goodwill.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

27. Prior year adjustment

The following material errors have been identified and corrected in respect of prior period financial statements:

Treatment of Payroll costs:

During the year ended 31 December 2019, Payroll costs totalling £7,130,290 were classified in error as Cost of Sales rather than Administrative expenses, with the balances of £54,032,072 and £38,099,048 disclosed respectively.

To align to the Group policy and current year treatment, these have been reclassified from Cost of Sales to Administrative expenses in the comparatives leading to the restated prior year balances of £46,901,782 for Cost of Sales and £45,229,788 for Administrative expenses. This reclassification has no impact on tax, the overall loss of the Group, the Net Assets balance or the statement of cash flows.

28. Contingent liabilities

The company entered into an agreement in the prior period to share a group term loan facility of £90,000,000, a term capex facility of £60,000,000 and a revolving facility of £2,500,000, along with other group companies. As part of this agreement the U.S. Bank Trustees Limited hold a cross-group guarantee across all group companies and a debenture over the company including a fixed charge over all present leasehold property: first fixed charge over book and debts, chattels, goodwill and uncalled capital, both present and future: and first floating charge over all assets and undertaking both present and future dated 4 May 2018.

An additional £35,000,000 was drawn down on 3 February 2020 with the same conditions as above.

As at 31 December 2020, £140,500,000 (2019 - £105,500,000) facility had been drawn down by the Group.

29. Pension commitments

The Group operates a defined contribution 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 £1,995,523 (2019 - £1,378,238). Contributions totalling £83,113 (2019 - £106,472) were payable to the fund at the reporting date and are included in creditors.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

30. Commitments under operating leases

At 31 December 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2020	2019
	£	£
Not later than 1 year	415,488	418,048
Later than 1 year and not later than 5 years	888,627	1,244,355
Later than 5 years	56,959	117,856
	<u>1,361,074</u>	<u>1,780,259</u>

31. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 section 33.1 'Related party disclosure' not to disclose transactions with its wholly owned subsidiaries.

The notes to the consolidated financial statements include all formant subsidiaries that are exempt from preparing and filing individual accounts by virtue of s394A of Companies Act 2006.

During the period sales of £236 (2019 - £450) and purchases of £232,750 (2019 - £172,700) were made to/from an entity owned by a previous Director of the company and current shareholder of the immediate controlling party. At the period end, £1,820 (2019 - £1,793) was owed by the entity which is included within Trade debtors and £117,014 (2019 - £98,214) was owed to the entity which is included within Trade creditors.

Included within Other loans are Loan notes totalling £293,638 (2019 - £293,638) owned by a Director of the company and a shareholder of the immediate controlling party. Interest accrued of £87,227 (2019 - £43,980) is included in the period end balance. No interest was paid on these notes during the period.

Also included within Other loans are Loan notes totalling £293,638 (2019 - £293,638) owned by a shareholder of the immediate controlling party. Interest accrued of £87,227 (2019 - £43,980) is included in the period end balance. No interest was paid on these notes during the period.

During the period the Group paid £103,000 (2019 - £101,226) to Mayfair Equity Partners LLP, who own the majority of the share capital of the Group, in respect of monitoring fees. Loan notes of £75,049,577 were issued by Mayfair Equity Partners LLP to the Group in 2018, with an additional £28,046,714 being issued during the year. At the end of the period, £127,476,179 (2019 - £88,005,396) was outstanding. Interest accrued of £24,379,888 (2019 - £12,955,819) is included in the period end balance. No interest was paid on these notes during the period.

During the period the Group were issued loan notes of £14,873,286 by Arcmont Asset Management Limited, who are shareholders of the Group. At the end of the period, £16,240,088 was outstanding. Interest accrued of £1,366,802 is included in the period end balance. No interest was paid on these notes during the period.

Management Loan notes of £19,658,693 were issued during 2018, with an additional £3,000,290 being issued during the year. Interest of £5,969,446 (2019 - £3,463,185) was accrued therefore £28,628,429 (2019 - £23,122,168) was outstanding at the period end. No interest was paid on these notes during the period.

Nasstar Group Limited (formerly Divitias Midco Limited)

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

32. Post balance sheet events

On the 1 August 2021, the Group acquired the trade and assets of the KCOM National Business. This acquisition should significantly increase the scale, propositions, and presence of Nasstar, enabling it to address very large enterprises and Public Sector organisations across a broader product and services portfolio. It also sees Nasstar become part of the NHS Health and Social Care Network (HSCN) with it fully accredited to provide and deploy HSCN network services to the health and care sector across the UK. At the time of signing these financial statements the final consideration had not been established.

The acquisition has been funded by an increase in bank debt of £33m. At the same time we increased our Revolving Credit Facility to £15m (currently undrawn).

33. Controlling party

The company's immediate controlling party is Nasstar Holdings Limited (formerly Divitias Holdco Limited). The registered office of the parent company is Cambridge House, Le Truchot St, Peter Port, Guernsey, GY1 4BF.

The largest and smallest group in which the company's results are consolidated is that for the Group headed by Nasstar Group Limited (formerly Divitias Midco Limited).

The ultimate controlling party is Mayfair Equity Partners LLP through its fund Mayfair Nominees.