

FLOMATIK NETWORK SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

FLOMATIK NETWORK SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

K J Barrie
J P Hyytiainen
C H McKinney
D C Checkley (appointed 28 April 2021)

COMPANY SECRETARY

C H McKinney

REGISTERED NUMBER

06080342

REGISTERED OFFICE

9 The Gardens
Broadcut
Fareham
PO16 8SS

INDEPENDENT AUDITORS

Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

FLOMATIK NETWORK SERVICES LIMITED

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FLOMATIK NETWORK SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the year ending 31 December 2021.

BUSINESS REVIEW

The Company's principal activity during the year remained the supply of consultancy; design; surveying; project delivery and field engineering services for the planning, design, and implementation; commissioning and decommissioning of telecommunication networks.

During 2021 the Company experienced growth with the addition of new customers, however this was offset with volatility in the forecasted demand from its existing client base of communication service providers (CSP's) and the alternative network/service providers (AltNets) who specialise in the deployment of full fibre networks.

Growth continues to be observed in the AltNet sector with largescale investment and emergence of new providers focused on delivering 29.9 million connected UK homes by 2030. With competition for Cities, Towns and Rural locations all expecting to accelerate, demand for design; survey and build capability will intensify, thus providing strong forecasted growth for 2022 onwards.

In support of the growth and to enhance Flomatik as a long-term provider and partner of quality services; 2021 was a year of focused transformation. With a greater emphasis on our customers outcomes; focus was placed on our operating model, our organisational structure, maturing our business processes and systems to deliver the foundations that will support growth and customer longevity in 2022.

A new Executive Team was established with the onboarding of a new Chief Executive Officer, a Service Improvement Director; Chief Operating Officer and a new Sales and Marketing Director, all with strong "leadership" capabilities and orientated towards the telecommunications sector. With the continued strong support from Teleste it has enabled Flomatik to cement its strategic position as the key network service provider within the Group.

With the emphasis on people, new Employee Benefits and Corporate Values were created by all colleagues within the Business and introduced during 2021. Customer Focus; Loyalty; Positivity; Respect and Honesty were all chosen by colleagues within the Business. With Covid 19 still impacting colleagues' welfare and ability to return to the office environment, Wellbeing Champions were introduced to ensure colleagues health and wellbeing remained at the forefront of our Business. These initiatives continue to deliver benefit for all Flomatik colleagues.

Continued enhancements to our planning automation and survey toolsets have created a greater level of design, survey, and field engineering efficiency to help customers and clients achieve cost effective customised network solutions and enable an efficient and effective transition into build. Both our strategic customer and our AltNet customers have benefited from the increase in automation.

During the year, the Company continued to attract and engage new AltNet customers such as Airband, Ogi and ITS to strengthen its position in the market. Coupled with new workstream wins with our strategic customers and our ambitions to transition into new market sectors in 2022; providing fibre planning and transmission design/installation in the Utilities and Transport sector; further demonstrates the transferable skills Flomatik can offer its customers.

Key Performance Indicators

Whilst new customers were secured during 2021, the increased volatility experienced with existing customer demand resulted in a turnover of £10,047.9k (2020: £11,925.6k), down 15.7% resulting in an operating loss of £627.9k (-6.2%), down on last year's profit of £993.5k.

FLOMATIK NETWORK SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

PRINCIPAL RISKS AND UNCERTAINTIES

The volatility experienced in customer demand will continue to pose a risk to growth aspirations in the AltNet sector as demand for design and civils capability outstrips the capacity of available resource within the industry to deliver and as such could introduce an artificial slowdown in the sector.

With the increase in demand, the challenge to staff churn and stabilising prices will become a critical focus for the Business in 2022. To compensate for the potential impact of these variables, Flomatik's strategic objective in 2022 will be to continue growing its hybrid capability in the design space as well as focused growth in new markets, allowing the Business to utilise its transferable skills wisely across multiple sectors.

The overall outlook for the Company in 2022 remains positive; with early customer wins and increasing customer demand; a new leadership team focused on colleagues' wellbeing, diversifying our growth into new sectors and continued emphasis on Quality and Quantity, will provide a strong bedrock for growth. With the impact of Covid-19 reducing, we look forward to colleagues reconnecting and adopting a new flexible way of working, both at home and in the office.

FUTURE DEVELOPMENTS

The Governments initiative to deliver Full Fibre connectivity to the UK by 2030, continues to provide growth and investment in the sector. With the anticipation to increase household connectivity from 5.5 million homes at the end of 2021 to 29.9 million homes by 2030, will focus the company in establishing itself as a premier supplier of choice, delivering quality; quantity with certainty. Reducing programme and project complexity for our customers and ensuring the transition from Design to Build is minimised will make it possible for Flomatik to provide a unique capability for its customers.

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

D C Checkley
Director

Date: 23 September 2022

FLOMATIK NETWORK SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

DIRECTORS

The directors who served during the year were:

K J Barrie
J P Hyytiainen
C H McKinney
D C Checkley (appointed 28 April 2021)

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £508,753 (2020 - profit £825,508).

No dividend was proposed for the year.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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'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's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There were no post balance sheet events for the year ended 31 December 2021.

FLOMATIK NETWORK SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

AUDITORS

Under section 487(2) of the Companies Act 2006, Price Bailey LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

D C Checkley

Director

Date: 23 September 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLOMATIK NETWORK SERVICES LIMITED

OPINION

We have audited the financial statements of Flomatik Network Services Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLOMATIK NETWORK SERVICES LIMITED (CONTINUED)

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Director's Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLOMATIK NETWORK SERVICES LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. This included those regulations directly related to the financial statements, including financial reporting, tax legislation and distributable profits and industry regulations including GDPR, employment law and health and safety.

We communicated the identified laws and regulations with the audit team and remained alert to any indications

of non-compliance throughout the audit. We carried out specific procedures to address the risks identified.

These included the following:

-agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

-enquiries of management including those responsible for key regulations;

-performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

-reviewing minutes of board meetings.

In addressing the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness, assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of significant transactions outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including

those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLOMATIK NETWORK SERVICES 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 Auditors' 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.

Andrew Booth (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants

Statutory Auditors

Tennyson House

Cambridge Business Park

Cambridge

CB4 0WZ

Date: 23 September 2022

FLOMATIK NETWORK SERVICES LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	10,047,881	11,925,568
Cost of sales		<u>(8,067,379)</u>	<u>(7,904,808)</u>
Gross profit		1,980,502	4,020,760
Administrative expenses		(2,635,283)	(3,064,132)
Other operating income	5	<u>26,909</u>	<u>36,908</u>
Operating (loss)/profit	6	(627,872)	993,536
Interest receivable and similar income	10	<u>117</u>	<u>894</u>
(Loss)/profit before tax		(627,755)	994,430
Tax on (loss)/profit	11	<u>119,002</u>	<u>(168,922)</u>
(Loss)/profit after tax		<u>(508,753)</u>	<u>825,508</u>
Retained earnings at the beginning of the year		<u>2,184,308</u>	<u>1,358,800</u>
		2,184,308	1,358,800
(Loss)/profit for the year		<u>(508,753)</u>	<u>825,508</u>
Retained earnings at the end of the year		<u>1,675,555</u>	<u>2,184,308</u>

The notes on pages 11 to 22 form part of these financial statements.

FLOMATIK NETWORK SERVICES LIMITED
REGISTERED NUMBER: 06080342

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	186,823	223,525
Current assets			
Debtors: amounts falling due after more than one year	14	18,600	18,600
Debtors: amounts falling due within one year	14	2,683,218	3,250,710
Cash at bank and in hand	15	51,508	803,045
		2,753,326	4,072,355
Creditors: amounts falling due within one year	16	(1,259,804)	(2,097,874)
		1,493,522	1,974,481
Net current assets		1,493,522	1,974,481
Total assets less current liabilities		1,680,345	2,198,006
Provisions for liabilities			
Deferred tax	18	(4,788)	(13,696)
		(4,788)	(13,696)
Net assets		1,675,557	2,184,310
Capital and reserves			
Called up share capital	19	2	2
Profit and loss account		1,675,555	2,184,308
		1,675,557	2,184,310

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2022.

.....
D C Checkley
 Director

The notes on pages 11 to 22 form part of these financial statements.

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Flomatik Network Services Limited is a private Company limited by shares incorporated in England and Wales, United Kingdom. The address of the registered office is 9 The Gardens, Broadcut, Fareham, PO16 8SS.

The nature of the Company's operations and principal activity during the year was the supply of consultancy and design services for planning and implementation networks, augmented by the provision of national engineering services for network deployment.

2. ACCOUNTING POLICIES

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

The accounts have been rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 GOING CONCERN

The directors have prepared cash flow projections which cover a period in excess of twelve months of the date of approval of these financial statements. These projections indicate that the Company will be reliant on the continued support of the parent Company in regards to credit facilities forwarded to them. The directors have received assurances from the parent Company via a letter of support confirming that they will continue to provide funding and support as required for a period of at least twelve months from approval of these financial statements.

Whilst future uncertainty is present across the economy, the directors believe the Company is in a good position. Accordingly, the going concern basis has been adopted in preparing the financial statements.

2.3 CASH FLOW EXEMPTION

The Company is considered a qualifying entity for the purpose of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements which include the Company and are intended to give a true and fair view.

The Company is therefore exempt from the requirement to prepare a cash flow statement.

2.4 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue 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.

FLOMATIK NETWORK SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.5 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:

Computer software	-	3	years
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2.6 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 life.

Depreciation is provided on the following basis:

Improvements to property	-	10% straight line basis
Plant & machinery	-	33% and 20% reducing balance
Computer equipment	-	33% straight line basis

2.7 DEBTORS

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

2.8 CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL INSTRUMENTS

The Company 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 Statement of Income and Retained Earnings.

2.10 CREDITORS

Short term creditors are measured at the transaction price.

2.11 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Income and Retained Earnings at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.12 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.13 OPERATING LEASES: THE COMPANY AS LESSEE

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

2.14 LEASED ASSETS: THE COMPANY AS LESSEE

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.15 PENSIONS

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.17 PROVISIONS FOR LIABILITIES

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 CORPORATION AND DEFERRED TAXATION

The tax expense for the year comprises current corporation and deferred tax. Tax is recognised in profit or loss 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 corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3.

JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments in the year ending 31 December 2021 are included below:

Accrued Income

Accrued income is calculated based on either fixed contract prices or the time and materials that have been recorded or estimated for each project to the end of December 2021.

4. **TURNOVER**

The whole of the turnover is attributable to the provision and supply of consultancy and design services for the implementation of network solutions.

All turnover arose within the United Kingdom.

5. **OTHER OPERATING INCOME**

	2021 £	2020 £
Other operating income	26,909	31,554
Sundry income	-	5,354
	<u>26,909</u>	<u>36,908</u>

During the year ended 31 December 2021, the Company recognised an amount totalling £26,909 (2020 - £31,554) receivable under the UK Government's Coronavirus Job Retention Scheme.

6. **OPERATING (LOSS)/PROFIT**

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Exchange differences	(19,510)	1,544
Other operating lease rentals	<u>192,849</u>	<u>201,435</u>

FLOMATIK NETWORK SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. AUDITORS' REMUNERATION

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>12,275</u>	<u>11,000</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	<u>2,300</u>	<u>2,250</u>

8. EMPLOYEES

	2021 £	2020 £
Wages and salaries	4,868,540	4,577,815
Social security costs	507,987	482,522
Cost of defined contribution scheme	<u>252,896</u>	<u>223,976</u>
	<u>5,629,423</u>	<u>5,284,313</u>

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

	2021 No.	2020 No.
Employees	<u>134</u>	<u>118</u>

9. DIRECTORS' REMUNERATION

	2021 £	2020 £
Directors' emoluments	234,504	210,605
Company contributions to defined contribution pension schemes	<u>13,968</u>	<u>15,807</u>
	<u>248,472</u>	<u>226,412</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £139,000 (2020 - £199,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2020 - £14,800).

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. INTEREST RECEIVABLE

	2021 £	2020 £
Interest receivable from group companies	117	894
	<u>117</u>	<u>894</u>

11. TAXATION

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(110,094)	195,153
Total current tax	<u>(110,094)</u>	<u>195,153</u>
Deferred tax		
Origination and reversal of timing differences	(8,908)	(26,231)
Taxation on (loss)/profit on ordinary activities	<u>(119,002)</u>	<u>168,922</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	<u>(627,755)</u>	<u>994,430</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(119,273)	188,942
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	549	2,949
Capital allowances for year in excess of depreciation	7,344	8,167
Short-term timing difference leading to an increase (decrease) in taxation	(8,908)	(26,231)
Changes in provisions leading to an increase (decrease) in the tax charge	1,286	(4,905)
Total tax charge for the year	<u>(119,002)</u>	<u>168,922</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In March 2021, the UK Government proposed that the main rate of corporation tax would increase from 19% to 25% with effect from 1 April 2023. The Finance Bill was substantively enacted on 24 May 2021. No adjustments have been considered necessary to reflect these changes.

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. INTANGIBLE ASSETS

	Computer software £
Cost	
At 1 January 2021	124,248
At 31 December 2021	<u>124,248</u>
Amortisation	
At 1 January 2021	124,248
At 31 December 2021	<u>124,248</u>
Net book value	
At 31 December 2021	<u><u>-</u></u>
At 31 December 2020	<u><u>-</u></u>

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. TANGIBLE FIXED ASSETS

	Improvement to property £	Plant & machinery £	Computer equipment £	Total £
COST				
At 1 January 2021	190,063	92,134	329,722	611,919
Additions	2,810	-	19,008	21,818
At 31 December 2021	<u>192,873</u>	<u>92,134</u>	<u>348,730</u>	<u>633,737</u>
Depreciation				
At 1 January 2021	23,293	88,233	276,868	388,394
Charge for the year on owned assets	19,427	3,901	35,192	58,520
At 31 December 2021	<u>42,720</u>	<u>92,134</u>	<u>312,060</u>	<u>446,914</u>
Net book value				
At 31 December 2021	<u>150,153</u>	<u>-</u>	<u>36,670</u>	<u>186,823</u>
At 31 December 2020	<u>166,770</u>	<u>3,901</u>	<u>52,854</u>	<u>223,525</u>

FLOMATIK NETWORK SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. DEBTORS

	2021 £	2020 £
Due after more than one year		
Other debtors	<u>18,600</u>	<u>18,600</u>
	2021 £	2020 £
Due within one year		
Trade debtors	1,797,689	2,357,062
Amounts owed by group undertakings	63	720
Other debtors	65,325	-
Prepayments and accrued income	820,141	892,928
	<u>2,683,218</u>	<u>3,250,710</u>

15. CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Cash at bank and in hand	<u>51,508</u>	<u>803,045</u>

16. CREDITORS: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	302,465	219,663
Amounts owed to group undertakings	168,607	34,802
Corporation tax	-	65,154
Other taxation and social security	531,652	1,087,545
Other creditors	32,901	198,242
Accruals and deferred income	224,179	492,468
	<u>1,259,804</u>	<u>2,097,874</u>

FLOMATIK NETWORK SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. FINANCIAL INSTRUMENTS

	2021	2020
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	51,508	803,045
Financial assets that are debt instruments measured at amortised cost	1,816,737	2,376,382
	<u>1,868,245</u>	<u>3,179,427</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(728,152)</u>	<u>(945,175)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

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

18. DEFERRED TAXATION

	2021	2020
	£	£
At beginning of year	(13,696)	(39,927)
Utilised in year	8,908	26,231
At end of year	<u>(4,788)</u>	<u>(13,696)</u>

The provision for deferred taxation is made up as follows:

	2021	2020
	£	£
Accelerated capital allowances	<u>(4,788)</u>	<u>(13,696)</u>

19. SHARE CAPITAL

	2021	2020
	£	£
Allotted, called up and fully paid		
2 (2020 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

FLOMATIK NETWORK SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £252,896 (2020 - £223,976). Contributions totalling £31,203 (2020 - £28,427) were payable to the fund at the balance sheet date.

21. COMMITMENTS UNDER OPERATING LEASES

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

	2021 £	2020 £
Not later than 1 year	228,188	228,188
Later than 1 year and not later than 5 years	288,127	516,315
	<u>516,315</u>	<u>744,503</u>

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Key management personnel compensation in the year totalled £277,986 (2020 - £320,236).

23. CONTROLLING PARTY

The company's immediate holding company, ultimate holding company and ultimate controlling party is Teleste Oyj, a company incorporated in Finland.

Copies of the Financial Statements of Teleste Oyj can be obtained from PO Box 323, Finland-20101, Turku, Finland.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.