

Entanet International Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 03274237



Entanet International Limited

Report and financial statements for the year ended 31 December 2020

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Entanet International Limited

**Company information
for the year ended 31 December 2020**

Directors

W G Mesch
S Holden
N J Dunn

Registered Office

15 Bedford Street, London, WC2E 9HE, United Kingdom

Company number

03274237

Independent auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Entanet International Limited

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.

Principle activities and review of the business

The company is a wholesale communications service provider, supporting a channel of partners and resellers with a wide range of connectivity and telecommunication products and services, including broadband, Ethernet, private and wide area networks, IP and PSTN telephony, colocation, hosting and associated services.

The key financial and other performance indicators during the year were as follows:

	2020	2019
Turnover	£38.1m	£35.8m
Gross profit	£8.6m	£8.9m
Gross margin	24%	25%
EBITDA	£0.4m	£0.9m

Financial overview

Financial measure	2020 result and narrative
Revenue	Remained constant at £38.1m (2019 - £35.8m)
Gross margin	Gross margin was stable at 24% (2020 – 25%)
Operating loss	Increased to £1.2m from £0.9m largely driven by an increase in staff costs due to an increase in headcount.
Loss after tax	Increased to £1.2m from £0.7m, this primarily reflects the increase in staff costs discussed above.
Balance sheet	Trade and other payables have reduced by £1.6m to £8.7m (2019: £10.3m), primarily due to a decrease in deferred income. Trade and other receivables remained consistent at £8.7m (2019 - £8.8m) Amounts owed by group undertakings reduced by £3.9m to £1.7m (2019 - £5.6m) due to funding of £4m provided to the Company from the parent company (2019 - £5.6m)

Principal risks and uncertainties

The principal risks to the business are listed below, together with mitigating actions. The company maintains a risk register, with each risk assigned to a member of the senior management team, and which is regularly reviewed and assessed by the board.

Cyber security

The company's core network provides customers with access to the internet, presenting a risk of cyber threat. This risk is mitigated through well proven and dynamic procedures for identifying and neutralising such threats, including the constant monitoring of unusual traffic patterns by sophisticated applications.

Competition

Competition in the UK wholesale supply market remains strong, with continued merger and acquisition activity as key players seek ways to grow their customer and revenue base. This has given rise to further price competition, often at the expense of service quality. The company counters these risks by offering best of breed products and services to the channel, implementing new supplier relationships, also leveraging and improving on its relationships with key suppliers, partners and resellers.

Entanet International Limited

Strategic report for the year ended 31 December 2020 (*continued*)

Principal risks and uncertainties (*continued*)

Network performance

The company operates a core network which customers depend on for speed, capacity and reliability. Any interruption in network performance may have a detrimental effect on customers. The core network is designed to be fully resilient, so that should part of the network be interrupted, traffic is routed through alternative paths. Furthermore, the underlying network equipment and circuits are subject to a continual upgrade programme, whereby core routers are replaced and upgraded before end of life, and core circuit capacity increased in line with increase in traffic.

Future Outlook

The Company continues to make positive progress in achieving its strategic vision, and the Directors congratulate our staff on their commitment, tenacity and hard work in bringing the company to this critical juncture in its development. We completed 2020 with considerable momentum, and we are pleased that this momentum has continued through 2021.

On behalf of the board



N J Dunn

Director

20 October 2021

Entanet International Limited

Directors' report for the year ended 31 December 2020

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

Principal Activities

The principal activities and review of business is set out in the Strategic Report.

Results

The statement of comprehensive income is set out on page 10 and shows the loss for the year.

No dividends have been paid or proposed (2020: £Nil).

Directors

The Directors of the Company during the year were:

W G Mesch

T A Hart (resigned 15 July 2020)

S Holden

N J Dunn (appointed 20 January 2021)

Going concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern.

As part of the normal business practice, the Group headed by the ultimate parent company, Connect Infrastructure Topco Limited (the 'Group'), of which the Company is a member of, prepares annual budgets and long-range business plans including the funding requirements of the Group. It is inherent in these plans that all subsidiaries are integral to, and continue to trade as part of, the Group. In July & August 2021 the Group secured additional funding commitments to continue its investment programme, including equity funding of £825,000,000 received by the ultimate parent company, Connect Infrastructure Topco Limited, and a £300m extension to the banking facilities of CityFibre Infrastructure Holdings Limited.

Additionally, Connect Infrastructure Topco Limited has confirmed it will continue to provide financial support to the Company to such levels as to enable the Company to be able to pay its debts as and when they fall due for payment, for a period of at least one year from the date of approval of these financial statements.

In reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources and future cash flows to enable them to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

For more detail please see Note 1 on page 14.

Directors' Responsibilities

The Directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable laws 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 Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 year.

Entanet International Limited

Directors' report for the year ended 31 December 2020 (*continued*)

Directors' Responsibilities (*continued*)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of 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.

Section 172 Statement

From 1 January 2019 legislation was introduced requiring companies to include a statement pursuant to section 172 of the Companies Act 2006.

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with suppliers, customers, the communities and the environment in which it operates. The Board also recognises the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly between members of the company.

Suppliers

As the CityFibre Group ('CityFibre'), of which this Company is a member of, deploys its network, it is making use of the very latest and best fibre technology available in the world. We believe that by investing in the best technology we will create a highly resilient network which will attract and retain customers across our key market verticals and build long term value. As fibre networks use light rather than electricity to transmit information, our network's energy consumption will be significantly lower than legacy copper-based networks used by incumbent telecom operators. CityFibre targets technology suppliers who can provide a strong product roadmap and the innovation we require to maintain a world-class network into the future. We take into account Government advice in respect of national security issues when selecting suppliers and require our suppliers and contractors to work within the terms of our Supplier Code of Conduct

Employees

The CityFibre Group ('CityFibre'), of which this Company is a member of, has major offices in Milton Keynes, Telford, London and Irlam which house technical, commercial and functional teams supporting the business. The majority this Company's employees are based in Telford. CityFibre also operate teams in each of the cities that are currently being built, to work closely with the local council, highways agency, our customers and our construction partners. CityFibre's preference is to hire locally and the Company seeks out potential employees who are in the early stages of their career who can be trained and grow in the business. CityFibre values employees who have a local affinity with the city in which they work because we hope they will be proud of the legacy they are building for the benefit of the entire community. The company is also actively working to ensure we build and maintain a diverse and inclusive workforce which is why we have launched our Diversity and Inclusion Leadership Group in 2020. This year we also launched The CityFibre Way that identifies four key behaviours in how we think, act and work and conducted an Employee Survey in November 2020.

Entanet International Limited

Directors' report for the year ended 31 December 2020 (*continued*)

Section 172 Statement (*continued*)

Customers

The CityFibre Group ('CityFibre'), of which this Company is a member of, builds its cities based on a "Well Planned City" design methodology it has developed. CityFibre is building its networks to provide capacity for consumers, businesses, public sector sites and mobile operators. We aim to build enough capacity into our networks to serve all these customer groups. This Company, as part of the CityFibre Group, is a wholesale provider provider and the end users of our network consume services through other providers such as ISPs, business resellers, public sector systems integrators and mobile network operators. CityFibre aims to develop relationships with all the major national players who have the majority of the end users in the UK as their customers. We believe that our national scale makes CityFibre an attractive partner because it can provide an efficient platform for systems, service and marketing investment and a clear alternative to the two national incumbent networks in the UK.

CityFibre's shareholders nominate directors that control the board of the ultimate holding company, and are actively involved in the major decision making of the group. Those shareholders are active owners of other businesses in the infrastructure sector in the UK and Overseas and bring that experience to bear in the decision making of the Group and Company.

The Board seeks to protect the reputation of the business and to maintain high standards of business conduct through its published policies and training of employees in those policies.

Independent Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The report of the Directors was approved by the Board on 20 October 2021 and signed on its behalf by:



N J Dunn
Director

Entanet International Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ENTANET INTERNATIONAL LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Entanet International Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

Entanet International Limited

Independent auditor's report (*continued*)

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Entanet International Limited

Independent auditor's report (continued)

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - Obtaining an understanding of the legal and regulatory framework in which the Company operates. The key laws considered are accounting standards and the Companies Act 2006.
- We have responded to risks identified by performing procedures including the following:
 - Enquiry of in-house management, in-house legal counsel and external legal counsel concerning actual and potential litigation and claims;
 - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
 - Reading the minutes of meetings of those charged with governance.
 - Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
 - Testing on a sample basis the appropriateness of journal entries and other adjustments;
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias;
- We have also considered the risk of fraud through revenue recognition by:
 - Testing on a sample basis the revenue recognised for the period to supporting documentation, including recalculations of deferred and accrued income where applicable.

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

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

Use of our report

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

DocuSigned by:

Nicole Martin

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Nicole Martin (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 20 October 2021

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

Entanet International Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	4	36,083	35,763
Cost of sales		(27,482)	(26,887)
Gross profit		8,601	8,876
Administrative expenses		(9,820)	(9,740)
Operating loss	5	(1,219)	(864)
Finance income	7	294	229
Finance charges	8	(282)	(64)
Loss before tax		(1,207)	(699)
Taxation	10	-	-
Loss for the year and total comprehensive income		(1,207)	(699)

The results reflected above relate to continuing activities.

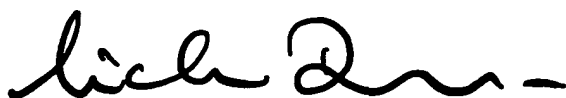
The notes on pages 13 to 30 form part of these financial statements.

Entanet International Limited

Statement of financial position for the year ended 31 December 2020

Company Number: 03274237	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	11	819	919
Property, plant and equipment	12	3,018	3,645
Amounts owed by Group Undertakings	13	1,662	5,612
Total non-current assets		5,499	10,176
Current assets			
Trade and other receivables	13	8,692	8,833
Cash and cash equivalents	14	4,808	1,408
Total current assets		13,500	10,241
Total assets		18,999	20,417
Equity and liabilities			
Equity			
Share capital	17	200	200
Retained earnings	18	7,523	8,730
Total equity		7,723	8,930
Non-current liabilities			
Lease liability	16	894	784
Deferred income		1,606	-
Total non-current liabilities		2,500	784
Current liabilities			
Lease liability	16	119	443
Trade and other payables	15	8,657	10,260
Total current liabilities		8,776	10,703
Total liabilities		11,276	11,487
Total equity and liabilities		18,999	20,417

The financial statements were approved by the Board of Directors and authorised for issue on 20 October 2021:



N J Dunn
Director

The notes on pages 13 to 30 form part of these financial statements.

Entanet International Limited

Statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2019	200	9,429	9,629
Comprehensive income			
Loss for the year	-	(699)	(699)
As at 31 December 2019	<u>200</u>	<u>8,730</u>	<u>8,930</u>
 As at 1 January 2020	 200	 8,730	 8,930
Comprehensive income			
Loss for the year	-	(1,207)	(1,207)
As at 31 December 2020	<u>200</u>	<u>7,523</u>	<u>7,723</u>

The notes on pages 13 to 30 form part of these financial statements.

Entanet International Limited

Statement of cash flows for the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss before tax	(1,207)	(699)
<i>Adjustments for:</i>		
Amortisation	267	195
Depreciation	1,325	1,537
Finance income	(294)	(229)
Finance charges	282	64
	373	868
Changes in working capital:		
Decrease/ (increase) in trade and other receivables	141	(1,630)
Increase in trade and other payables	3	3,123
Net cash generated from operating activities	517	2,361
Cash flows from investing activities		
Purchases of property, plant and equipment	(698)	(875)
Purchase of intangible assets	(167)	(440)
Net cash used in investing activities	(865)	(1,315)
Cash flows from financing activities		
Repayment of capital element of hire purchase contracts	-	(114)
Proceeds from intercompany loans	4,003	-
Principal paid on lease liability	(262)	(519)
Interest received	7	6
Interest paid	-	(5)
Net cash used in financing activities	3,748	(632)
Net increase in cash and cash equivalents	3,400	414
Cash and cash equivalents at beginning of the year	1,408	994
Cash and cash equivalents at end of the year	4,808	1,408

The notes on page 13 to 30 form part of these financial statements.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020

1 Company information

The principal activity of the Company is a wholesale communications service provider, supporting a channel of partners and resellers with a wide range of connectivity and telecommunication products and services, including broadband, Ethernet, private and wide area networks, IP and PSTN telephony, colocation, hosting and associated services.

The Company is a private limited company domiciled in the United Kingdom and incorporated under registered number 03274237 in England and Wales. The Company's registered office is 15 Bedford Street, London, WC2E 9HE.

2 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS"). They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are presented in GBP, which is also the Company's functional currency.

The financial statements are presented in Sterling (£), rounded to the nearest thousand pounds.

Going concern

In order to assess the ability for the Group, of which the Company is a member of, to be considered as a going concern the Directors have assessed the key risk factors for the business. The Group's financial plan does not rely on further equity funding through the period of the going concern assessment, therefore is not considered a key risk factor. The primary areas that have been considered and factored into scenario modelling to consider the future viability of the business are as follows:

- The scale and availability of the Group's debt facilities. No issues were identified that would restrict access to debt funding, although the current level of debt funding is expected to be fully utilised within the next twelve months and a refinancing is planned. Should no further debt facilities be secured, it would not be possible to carry out the full network expansion planned. Should this happen, cost savings measures would be enacted to maintain the Group in a cash positive position. This would be achieved principally through a slowdown or pause in CityFibre's network rollout, by pausing any uncommitted spend incurring any associated financial penalties and reducing the associated internal resource and overhead costs. This approach would maintain the current network and its associated revenues, allowing the Group to continue operating on an ongoing, cash positive basis.
- Reduced sales, where sensitivities have been run to reflect the potential impact on CityFibre's customer base. Revenue expansion in the Group's business plan is driven by sales in the Consumer sector in particular. There is risk that lower levels of end-customers are signed up by the Group's Internet Service Providers ('ISPs') customers, thus reducing the level of income received. Sensitivity analysis indicates the risk of reduced sales is not expected to affect the short-term viability of the business.
- The availability of construction labour and the impacts of the COVID-19 pandemic and Brexit observed to date on network build productivity and working capital requirements in the construction market. Contracts in place with construction firms ensure that CityFibre only pays for what is built. Reduced labour availability or lower productivity, such as during the COVID-19 pandemic, do not therefore carry a short-term financial risk. In the short term, lower productivity would therefore reduce the Group's cash requirement but would have an effect on the longer-term value derived from the network rollout.

Additionally, the ultimate parent company, Connect Infrastructure Topco Limited has confirmed it will continue to provide financial support to the Company to such levels as to enable the Company to be able to pay its debts as and when they fall due for payment, for a period of at least one year from the date of approval of these financial statements.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

2 Basis of preparation (*continued*)

Going concern (continued)

While the Directors recognise there are uncertainties in the current environment, the Directors believe they have the ability to take sufficient mitigating actions to offset the potential negative impact from the risk factors identified such that they believe it is still appropriate to consider the Group and Company as a viable going concern and account for them on this basis.

New standards, amendments and interpretations

New standards, interpretations and amendments effective from 1 January 2020

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

New standards, interpretations and amendments not yet effective or relevant

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The Company is currently assessing the impact of these new accounting standards and amendments that are effective in future accounting periods but does not expect them to have a material impact on the Company.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

2 Basis of preparation (continued)

Revenue

Revenues are generated from ADSL network services (including broadband connections) and leased line network services (including ethernet, private and wide area networks).

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from leased lines and broadband sales. In both cases there is considered one main obligation to provide network services and hence revenue is recognised evenly over the period to which the services are granted, as customers simultaneously receive and consume fibre connectivity over the service period. Revenue is recognised from the date at which the network service becomes available for use by the customer. There are no obligations for refunds or returns.

Customers are billed for network services on a monthly, quarterly or annual basis, with installation services being billed up front. Payment is typically due within 30 days of invoicing. Deferred income arises where installation charges are billed at the beginning of the contract; however are recognised over the period during which the service is granted. There is minimal difference between timing of billing and recognition of network services.

Determining the transaction price

Most of the Company revenue is derived from prescribed agreements and contracts and therefore the amount of revenue to be earned from each contract is determined by the amounts defined in the contract.

Allocating amounts to performance obligations

The Company allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered.

Accounting for certain costs incurred in fulfilling and obtaining a contract

The incremental commissions paid to sales staff for work in obtaining a contract with a customer are recognised as an asset if the entity expects to recover them and amortised on a straight-line basis over the average contract term of 48 months. No judgement is needed to measure the amount of costs of obtaining contracts- it is the commission paid.

Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Motor vehicles	-	20% straight line
Fixtures, fittings and equipment	-	20% straight line

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

2 Basis of preparation (continued)

Property, plant and equipment (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, or if there is an indication of 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 within 'other operating income' in the Company Statement of Comprehensive Income.

Intangible assets

Software costs, including capitalised development costs, that are directly attributable to IT systems controlled by the Company are recognised as Intangible Assets and the costs are amortised over their useful lives not exceeding 5 years.

Impairment of non-current assets

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

The carrying values of property, plant and equipment and intangible assets other than goodwill, within a cash generating unit, are reviewed for impairment only when events indicate the carrying value may be impaired. Impairment indicators include both internal and external factors. Examples of internal factors include analysing performance against budgets and assessing absolute financial measures for indicators of impairment. Examples of external considerations assessed for indications of impairment include wider economic factors.

Where impairment indicators are present, the recoverable amounts of assets are measured. Asset recoverability requires assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets, using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters. In particular, management has regard to assumptions in respect of revenue mix and growth rates.

Financial assets

Trade and other receivables are initially recorded at their fair value and subsequently carried at amortised cost, less provision for impairment. A provision for impairment of trade receivables is determined using the IFRS 9 simplified approach to measuring expected losses. In calculating the provision, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Financial liabilities and equity

Financial liabilities, including trade payables and bank loans, are recognised when the Company becomes party to the contractual arrangements of the instrument and are recorded at amortised cost using the effective interest method. All related interest charges on loans are recognised as an expense in 'finance cost' in the statement of comprehensive income.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

2 Basis of preparation (continued)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. The value of the short-term leases expense is disclosed in Note 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the incremental borrowing rate on the loan held by the parent company, CityFibre Infrastructure Holdings Limited, on commencement of the lease is used. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources. The Company has chosen to use the same discount rate across all classes of assets, as this is materially appropriate across the assets. The discount rate used is the same as the Fibre Infrastructure Holdings Limited, debt facility this is deemed appropriate as the majority of leases by value have a similar term to the expected life of the capex funded by the debt facility.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease; and
- initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the service portion of lease charges separately for leasehold property leases but not for network asset and plant and equipment type leases.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

2 Basis of preparation (*continued*)

Net finance income

Finance costs comprise interest payable on borrowings and foreign exchange losses, and are expensed in the year in which they are incurred.

Finance income comprises interest receivable on funds invested, and foreign exchange gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing differences.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Employee benefits: Pension obligations

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share capital

Ordinary shares are classified as equity. There are various classes of ordinary shares in issue, as detailed in note 17. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

3 Significant judgements and estimates

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments 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. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Recoverability of trade receivables

Due to the nature of the business, there are high levels of trade receivables at the year end, and therefore a risk that some of these balances may be irrecoverable. A review of the Company's policy for accounting for bad debts is carried out by the finance director where debts are assessed and provided against when the recoverability of these balances is considered to be uncertain.

Going concern assessment

The directors have assessed the going concern position of the Group, of which the Company is a member of, in light of the key risk factors for the business, recognising that there are uncertainties however they do not consider them to impact the going concern status of the Group and Company. The primary areas of judgement that have been considered and factored into scenario modelling to consider the future viability of the business are:

- The scale and availability of the Group's debt facilities.
- Reduced sales where sensitivities have been run to reflect the potential impact on CityFibre's customer base.
- The availability of construction labour and the impacts of Brexit and the COVID-19 pandemic on network build productivity and working capital requirements in the construction market.

Refer to the basis of accounting on page 14 where these are discussed further.

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

4 Revenue

An analysis of the company's turnover by geographical market is set out below:

	2020 £'000	2019 £'000
United Kingdom	36,083	35,763
	36,083	35,763

5 Operating loss

Operating loss is stated after charging:

	2020 £'000	2019 £'000
This has been derived at after charging:		
Depreciation	1,325	1,537
Amortisation	267	195
Bad debts expense	69	91
Auditor remuneration (note 9)	32	30

6 Directors and employees

	2020 £'000	2019 £'000
a) Staff costs		
Wages and salaries	5,401	4,991
Social security costs	745	689
Other pension costs	217	112
	6,363	5,792

Average monthly number of people employed by activity:

	Number	Number
Management and administration	133	127
Marketing and sales	32	25
	165	152

Directors' salaries and emoluments are paid by Connect Infrastructure Bidco Limited, and recharged back as a management recharge for services provided.

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

7	Finance income	2020	2019
		£'000	£'000
	Interest income incurred on related party loan	287	223
	Interest income	7	6
	Total finance income	294	229
8	Finance charges		
	Interest expense incurred on related party loan	234	59
	Finance lease interest payable	-	5
	Interest on lease liability	48	-
	Total finance cost	282	64
9	Auditor remuneration	2020	2019
		£'000	£'000
	Fees payable to Company's auditor and its associates for the audit of Company's financial statements	32	30

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

10 Taxation

	2020 £'000	2019 £'000
Analysis of charge in year		
Current tax charge on loss for the year	-	-
Income tax expense	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%).
The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(1,207)	(699)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK as above	(229)	(132)
Effects of:		
Fixed asset differences	1	1
Expenses not deductible	1	1
Deferred tax not recognised	308	116
Effects of change in tax rate	(81)	14
Total taxation charge	-	-

The Company has unrecognised deferred tax assets arising from losses and short-term timing differences of £996,000 (2019: £612,000) these have not been recognised due to the uncertainty surrounding future profits.

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

11 Intangible assets

	Development costs £'000	Total £'000
Cost		
At 1 January 2019	749	749
Additions at cost	440	440
At 31 December 2019	1,189	1,189
Accumulated depreciation		
At 1 January 2019	75	75
Amortisation	195	195
At 31 December 2019	270	270
Cost		
At 1 January 2020	1,189	1,189
Additions at cost	167	167
At 31 December 2020	1,356	1,356
Accumulated depreciation		
At 1 January 2020	270	270
Amortisation	267	267
At 31 December 2020	537	537
Net book value		
At 31 December 2020	819	819
At 31 December 2019	919	919

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

12 Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Rights of use assets £'000	Total £'000
Cost				
At 1 January 2019	11	7,333	-	7,344
Additions	-	875	1,687	2,562
At 31 December 2019	11	8,208	1,687	9,906
Depreciation				
At 1 January 2019	11	4,713	-	4,724
Charge for the year	-	1,055	482	1,637
At 31 December 2019	11	5,768	482	6,261
Cost				
At 1 January 2020	11	8,208	1,687	9,906
Additions	-	698	-	698
At 31 December 2020	11	8,906	1,687	10,604
Depreciation				
At 1 January 2020	11	5,768	482	6,261
Charge for the year	-	966	359	1,325
At 31 December 2020	11	6,734	841	7,586
Net book value				
At 31 December 2020	-	2,172	846	3,018
At 31 December 2019	-	2,440	1,205	3,645

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

13 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	2,542	3,341
Other debtors	1,706	1,720
Prepayments and accrued income	4,444	3,772
	<u>8,692</u>	<u>8,833</u>
Amounts falling due after one year:		
Amounts owed by group undertakings	1,662	5,612

A provision of £138,000 (2019: £159,000) has been made against the trade receivables balance.

Amounts owed by group undertakings are subject to interest at 5% and repayable on 14 December 2023.

All receivables are denominated in sterling.

14 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	4,808	1,408

All bank balances are denominated in sterling.

15 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	1,172	3,705
Taxation and social security	791	186
Accruals	2,510	2,509
Deferred income	1,161	2,607
Amounts due to group undertakings	3,023	1,253
	<u>8,657</u>	<u>10,260</u>

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. All trade and other payables are due in less than one year. All balances are denominated in Sterling.

Amounts payable to group undertakings are non-interest bearing and repayable on demand.

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

16 Leases

Right of use assets	Leasehold property £'000	Network assets £'000	Total £'000
At 1 January 2020	903	302	1,205
Additions at cost	-	-	-
Depreciation	(248)	(110)	(358)
At 31 December 2020	655	192	847

Lease liabilities	Leasehold property £'000	Network assets £'000	Total £'000
At 1 January 2020	919	308	1,227
Additions at cost	-	-	-
Interest expense	39	9	48
Payments	(145)	(117)	(262)
At 31 December 2020	813	201	1,013

As at 31 December 2020

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease payments	79	40	309	392	-

17 Share capital

	2020 £'000	2019 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
200,100 ordinary shares of £1 each	200	200

18 Reserves

Retained earnings

Includes all current and prior periods retained profits and losses.

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

19 Financial instruments

Classification and measurement

	2020 £'000	2019 £'000
Financial assets		
At cost less impairment		
Financial assets	15,162	15,853

Financial assets measured at amortised cost comprise cash, trade receivables, accrued income and other debtors, as follows:

	2020 £'000	2019 £'000
Trade receivables	2,542	3,341
Other debtors	1,705	1,720
Accrued income	112	146
Cash at bank	4,808	1,408
Amounts owed by group undertakings	1,662	5,612
	<u>10,829</u>	<u>12,227</u>

Financial liabilities

At amortised cost		
Financial liabilities	7,496	7,653

Financial liabilities measured at amortised cost comprise trade payables, taxation and social security, accruals, other loans and net obligations under hire purchase contracts, as follows:

	2020 £'000	2019 £'000
Trade payables and other creditors	1,172	3,705
Taxation and social security	791	186
Accruals and other payables	2,510	2,509
Amounts due to group undertakings	3,023	1,253
	<u>7,496</u>	<u>7,653</u>

Entanet International Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

19 Financial instruments (continued)

Risk management

The main risk arising from the Company's financial instruments is credit risk.

Risk management is carried out by the board of directors. The Company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other debtors and inter-company receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful debts. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

	2020 £'000	2019 £'000
Trade receivable ageing		
Under 30 days overdue	2,548	3,369
Between 31 to 60 days overdue	32	12
Between 61 to 90 days overdue	28	21
Over 90 days overdue	(66)	(61)
	<u>2,542</u>	<u>3,341</u>

Provision was made against doubtful receivables during the period of £69,000 (2019: £91,000), and the balance of the provision at 31 December 2020 was £138,000 (2019: £159,000).

20 Related parties transactions

During the year the company received services from:

	2020 £'000	2019 £'000
CityFibre Limited	1,708	-
Entanet International Limited	62	55
Total services received	<u>1,770</u>	<u>55</u>

The balances due from group undertakings, which include both intercompany trade and intercompany loan balances at 31 December 2020, is as follows:

	2020 £'000	2019 £'000
CityFibre Limited	(1,722)	(14)
Entanet Holdings Limited	361	4,374
	<u>1,361</u>	<u>4,360</u>

Entanet International Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

20 Related parties transactions (continued)

Transactions with key management personnel

Key management personnel are the directors and members of the executive management team of the CityFibre Group of companies (consisting of the Company, its parent and its subsidiaries), including the Directors of the Company listed in the Directors' report. Key management compensation was as follows:

	Key management personnel 2020 £'000	Key management personnel 2019 £'000	Highest paid director 2020 £'000	Highest paid director 2019 £'000
Fees	207	174	207	174
Benefits in kind	5	9	5	9
Pension contributions	-	7	-	7
Bonus	293	237	293	237
Other consideration	-	-	-	-
	505	427	505	427
Social security costs	70	58	70	58
Total emoluments	575	485	575	485

21 Parent company and controlling party

The largest group in which the results of the company are consolidated is that headed by Connect Infrastructure Topco Limited, a company incorporated in England and Wales.

Copies of Connect Infrastructure Topco Limited accounts can be obtained from The Registrar of Companies, Companies House, Cardiff, CF4 3UZ. At 31 December 2020 and 31 December 2019, the ultimate parent, Connect Infrastructure Topco Limited, and therefore the Company, was jointly-controlled by a consortium formed by Antin Infrastructure Partners and West Street Infrastructure Partners.

22 Pensions

A defined contribution pension scheme is operated by the Company on behalf of the employees of the Company. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £745,000 (2019: £689,000). Contributions totalling £51,000 (2019: £25,000) were payable to the fund at the period end and are included in creditors.

23 Subsequent events

No events after the reporting period occurred which are required to be disclosed.