

Registered number: 06721957

Evolution Telco Limited

Unaudited

Directors' Report and Financial Statements

For the Year Ended 31 December 2020



Evolution Telco Limited

Company Information

Directors W Churchill (appointed 10 September 2019)
K J Budge (appointed 22 July 2020)

Registered number 06721957

Registered office 19-25 Nuffield Road
Poole
Dorset
BH17 0RU

Evolution Telco Limited

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Evolution Telco Limited

Directors' Report For the Year Ended 31 December 2020

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

Directors

The Directors who served during the year were:

C McLauchlan (appointed 29 April 2019, resigned 22 July 2020)

W Churchill (appointed 10 September 2019)

K J Budge (appointed 22 July 2020)

Directors' responsibilities statement

The Directors are responsible for preparing the 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Evolution Telco Limited

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

Going concern

The Company is part of the GCI trading group, which in turn is part of the Nasstar Group (formerly Divitias Midco Limited) group (the 'Parent Group'). The Company is dependent on continuing financial support being made available by Nasstar Group Limited and its subsidiary Nasstar Limited (formerly Divitias Bidco Limited) where external borrowings are held. Nasstar Limited has agreed to provide sufficient funds to the Company to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

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

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

The Directors have prepared detailed forecasts for the Parent Group covering a period through to 31 December 2022 on which to assess going concern, plus have considered their strategic outlook beyond this period to assess if there are any conditions or expected outcomes that would cast significant doubt over the going concern conclusion. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from H1 2021 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

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

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

Evolution Telco Limited

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

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

DocuSigned by:

Kevin Budge

1DEBDB193C1D49E

K J Budge

Director

Date: 02/12/2021

Evolution Telco Limited

Income Statement
For the Year Ended 31 December 2020

| | Note | 2020 £ | 2019 £ |
|--------------------------------------|-------------|-------------------------|-------------------------|
| Turnover | | 5,598 | 7,377 |
| Cost of sales | | (3,127) | (2,820) |
| Gross profit | | 2,471 | 4,557 |
| Other operating income | 2 | - | 24,105 |
| Operating profit | | 2,471 | 28,662 |
| Tax on profit | | 265 | (774) |
| Profit for the financial year | | 2,736 | 27,888 |

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

The notes on pages 7 to 13 form part of these financial statements.

Evolution Telco Limited
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Statement of Financial Position
As at 31 December 2020

| | Note | 2020 £ | 2019 £ |
|--|------|---------------|---------------|
| Current assets | | | |
| Debtors: amounts falling due within one year | 4 | 17,228 | 14,320 |
| | | <u>17,228</u> | <u>14,320</u> |
| Creditors: amounts falling due within one year | 5 | (3,747) | (3,575) |
| | | <u>13,481</u> | <u>10,745</u> |
| Net current assets | | 13,481 | 10,745 |
| Total assets less current liabilities | | 13,481 | 10,745 |
| Net assets | | 13,481 | 10,745 |
| Capital and reserves | | | |
| Called up share capital | | 100 | 100 |
| Profit and loss account | | 13,381 | 10,645 |
| | | <u>13,481</u> | <u>10,745</u> |

Evolution Telco Limited
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Statement of Financial Position (continued)
As at 31 December 2020

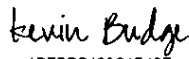
The Directors consider that the Company is entitled to exemption from audit under section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

DocuSigned by:

1DEBDB193C1D49E
K J Budge
Director

Date: 02/12/2021

The notes on pages 7 to 13 form part of these financial statements.

Evolution Telco Limited

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

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements have been prepared using the reduced disclosure exemptions permitted by FRS102 and therefore do not include:

- a) Certain related party disclosures;
- b) Certain financial instrument disclosures;
- c) A statement of cash flows.

The following principal accounting policies have been applied:

Evolution Telco Limited

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

1. Accounting policies (continued)**1.2 Going concern**

The Company is part of the GCI trading group, which in turn is part of the Nasstar Group (formerly Divitias Midco Limited) group (the 'Parent Group'). The Company is dependent on continuing financial support being made available by Nasstar Group Limited and its subsidiary Nasstar Limited (formerly Divitias Bidco Limited) where external borrowings are held. Nasstar Limited has agreed to provide sufficient funds to the Company to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

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

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

The Directors have prepared detailed forecasts for the Parent Group covering a period through to 31 December 2022 on which to assess going concern, plus have considered their strategic outlook beyond this period to assess if there are any conditions or expected outcomes that would cast significant doubt over the going concern conclusion. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from H1 2021 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

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

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

Evolution Telco Limited

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

1. Accounting policies (continued)

1.3 Turnover

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

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

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

1.4 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; 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 reporting date.

Evolution Telco Limited

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

1. Accounting policies (continued)**1.5 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | | |
|-----------------------|---|-----|
| Fixtures and fittings | - | 33% |
|-----------------------|---|-----|

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

1.6 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 Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Evolution Telco Limited

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

1. Accounting policies (continued)**1.7 Judgements and key sources of estimation uncertainty**

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

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

- Trade debtors (see note 4)

The company reviews the recoverability of trade debtors and makes allowances for doubtful debts where considered appropriate. If there is evidence of impairment the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

2. Other operating income

| | 2020 | 2019 |
|------------------------|-------------|---------------|
| | £ | £ |
| Other operating income | - | 24,105 |
| | <u>-</u> | <u>24,105</u> |
| | <u>-</u> | <u>24,105</u> |

Other operating income in the prior year consisted of amounts owed to group undertakings written off.

3. Employees

The average monthly number of employees, including directors, during the year was 0 (2019 - 2).

4. Debtors

| | 2020 | 2019 |
|------------------------------------|----------------------|---------------|
| | £ | £ |
| Trade debtors | 8,339 | 7,647 |
| Amounts owed by group undertakings | 1,888 | - |
| Other debtors | 494 | 431 |
| Deferred taxation | 6,507 | 6,242 |
| | <u>17,228</u> | <u>14,320</u> |
| | <u>17,228</u> | <u>14,320</u> |

Evolution Telco Limited

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

5. Creditors: Amounts falling due within one year

| | 2020 | 2019 |
|-----------------|---------------------|--------------|
| | £ | £ |
| Trade creditors | 3,747 | 3,575 |
| | <u>3,747</u> | <u>3,575</u> |

The amounts owed to/from group undertakings are unsecured and interest free. Although the balances have no fixed repayment terms, the counterparties have confirmed that repayment will not be sought if such payment would prejudice the company's ability to settle its other debts as they fall due.

6. Contingent liabilities

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

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

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

7. Commitments under operating leases

The Company had no commitments under the non-cancellable operating leases as at the reporting date.

8. 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.

Evolution Telco Limited

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

9. Controlling party

The Company's immediate controlling party is Nasstar Managed Services Group Limited (formerly known as GCI Managed Services Group Limited).

The Company's ultimate parent company is Nasstar Holdings Limited (formerly known as Divitias Holdco Limited). The registered address of the parent undertaking is Cambridge House, Le Truchot St, Peter Port, Guernsey, GY1 4BF.

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