
Commscare Group Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

Commscare Group Limited

Company Information

| | |
|-----------------------------|--|
| Directors | Mr M Sanderson Mr K Everaet Mr K Mees |
| Registered number | 04580474 |
| Registered office | 8 Cheshire Avenue Lostock Gralam Northwich Cheshire CW9 7UA |
| Independent auditors | Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport SK1 1TD |
| Bankers | Bank of Scotland plc 36 Castle Street Liverpool L2 0NT |

Commscare Group Limited

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Commscare Group Limited

Strategic Report For the Year Ended 31 December 2019

Introduction

The company is a leading provider of outsourced IT services for the channel community. We provide professional, managed and maintenance IT services to over 800 Channel Partners throughout the UK.

Business review

The company has performed well during the year. Turnover was £38,599,202 (2018: £34,786,311), leading to a profit before tax of £7,322,547 compared to £6,799,531 for the year ended December 31, 2018.

Principal risks and uncertainties

Key commercial risks continue to be the availability of skilled engineers. These risks are mitigated by the ongoing investment in training across all engineering grades and skill set types.

Critical success factors include customer satisfaction, service level delivery and cost management. These are all measured and reviewed by management against a weekly balanced scorecard.

The IT market is a fast paced and dynamic environment. We continue to monitor and review developments and our customer needs against emerging market trends. We modify our services and business plans accordingly.

The business is operating in unparalleled times with the Covid 19 pandemic. Flexible and remote working has allowed the business to continue without severe impact, although the ability for our engineers to attend customer sites has sometimes been restricted.

Our supply chain of certain products and services may be subject to change as a result of Brexit. In particular there may be a delay in product delivery and / or an increase in import tariffs. A cross functional working group has been established to mitigate these risks to the extent possible, working closely with key partners to ensure that appropriate planning is in place to minimise disruption.

The company's financial risk management policies are disclosed in the Director's Report on page 3.

Financial key performance indicators

| | |
|-----------------|-----------------------|
| Turnover | £38.6m (2018: £34.8m) |
| Gross Margin | 54.7% (2018: 55.7%) |
| Pre Tax Profits | £7.3m (2018: £6.8m) |
| Net Assets | £24.7m (2018: £20.5m) |

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

Mr M Sanderson
Director
Date: 21 December 2020

Directors' Report
For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 judgements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Results and dividends

The profit for the year, after taxation, amounted to £5,912,862 (2018 - £5,560,336).

Dividends paid during the year amounted to £1,679,549 (2018: *Nil*).

Directors

The directors who served during the year were:

Mr M Sanderson
Mr K Everaet
Mr K Mees

Future developments

The initial periods of working with Ingram Micro UK and being part of an international group have been successful and demonstrated strong continued profit growth.

We continue to explore opportunities to leverage our parent company's strengths and widen our services offerings to our core customers and markets.

Commscare Group Limited

**Directors' Report (continued)
For the Year Ended 31 December 2019**

Financial instruments

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and operating lease agreements. The main purpose of these instruments is to raise funds for and finance for the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The company is a lessee in respect of operating leased assets. The liquidity risk in respect of these is managed in the same way as trade creditors above.

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

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced. The spread of the virus and level of severity continued to increase and in March 2020, the World Health Organization characterized COVID-19 as a pandemic. The United Kingdom has been severely impacted by COVID-19, as well as the global supply chain in which we participate. Whilst there has been disruption to our business, our operations have begun to rebound to our original economic state.

After a period of uncertainty, the company quickly moved to remote working and have continued to deliver to clients resulting in no significant overall disruption and impact on financial results.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Mr M Sanderson

Director

Date: 21 December 2020

Commscare Group Limited

Independent Auditors' Report to the Members of Commscare Group Limited

Opinion

We have audited the financial statements of Commscare Group Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Auditors' 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Commscare Group Limited

Independent Auditors' Report to the Members of Commscare Group Limited (continued)

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

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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 on page 2, 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.

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.

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 Commscare Group Limited (continued)

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

John Glover (Senior Statutory Auditor)
for and on behalf of
Hurst Accountants Limited
Chartered Accountants & Statutory Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
SK1 1TD
21 December 2020

**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

| | Note | 2019 £ | 2018 £ |
|--|------|-------------------------|-------------------------|
| Turnover | 4 | 38,599,202 | <i>34,786,311</i> |
| Cost of sales | | (17,483,648) | <i>(15,420,969)</i> |
| Gross profit | | 21,115,554 | <i>19,365,342</i> |
| Administrative expenses | | (14,018,335) | <i>(12,630,243)</i> |
| Operating profit | 5 | 7,097,219 | <i>6,735,099</i> |
| Interest receivable and similar income | 9 | 225,328 | <i>64,432</i> |
| Profit before tax | | 7,322,547 | <i>6,799,531</i> |
| Tax on profit | 10 | (1,409,685) | <i>(1,239,195)</i> |
| Profit for the financial year | | <u>5,912,862</u> | <i><u>5,560,336</u></i> |

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

Commscare Group Limited
Registered number: 04580474

Statement of Financial Position
As at 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|------|-------------------|--------------|
| Fixed assets | | | |
| Tangible assets | 12 | 47,811 | 52,626 |
| Investments | 13 | 1,823,469 | 1,823,469 |
| | | 1,871,280 | 1,876,095 |
| Current assets | | | |
| Stocks | 14 | 1,719,326 | 2,146,639 |
| Debtors: amounts falling due within one year | 15 | 20,855,930 | 35,220,442 |
| Cash at bank and in hand | 16 | 32,823,338 | 9,610,810 |
| | | 55,398,594 | 46,977,891 |
| Creditors: amounts falling due within one year | 17 | (28,724,910) | (25,158,658) |
| Net current assets | | 26,673,676 | 21,819,233 |
| Total assets less current liabilities | | 28,544,956 | 23,695,328 |
| Creditors: amounts falling due after more than one year | 18 | (3,795,093) | (3,178,778) |
| Net assets | | 24,749,863 | 20,516,550 |
| Capital and reserves | | | |
| Called up share capital | 20 | 35,000 | 35,000 |
| Profit and loss account | 21 | 24,714,863 | 20,481,550 |
| | | 24,749,863 | 20,516,550 |

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

Mr M Sanderson
Director

Date: 21 December 2020

The notes on pages 12 to 26 form part of these financial statements.

Commscare Group Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|--|---------------------------------|---------------------------------|-------------------|
| At 1 January 2019 | 35,000 | 20,481,550 | 20,516,550 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 5,912,862 | 5,912,862 |
| Total comprehensive income for the year | - | 5,912,862 | 5,912,862 |
| Dividends: Equity capital | - | (1,679,549) | (1,679,549) |
| Total transactions with owners | - | (1,679,549) | (1,679,549) |
| At 31 December 2019 | <u>35,000</u> | <u>24,714,863</u> | <u>24,749,863</u> |

**Statement of Changes in Equity
For the Year Ended 31 December 2018**

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|--|---------------------------------|---------------------------------|-------------------|
| At 1 January 2018 | 35,000 | 14,921,214 | 14,956,214 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 5,560,336 | 5,560,336 |
| Total comprehensive income for the year | - | 5,560,336 | 5,560,336 |
| Total transactions with owners | - | - | - |
| At 31 December 2018 | <u>35,000</u> | <u>20,481,550</u> | <u>20,516,550</u> |

Commscare Group Limited

**Statement of Cash Flows
For the Year Ended 31 December 2019**

| | 2019 | <i>2018</i> |
|---|--------------------------|-------------------------|
| | £ | <i>£</i> |
| Cash flows from operating activities | | |
| Profit for the financial year | 5,912,862 | <i>5,560,336</i> |
| Adjustments for: | | |
| Depreciation of tangible assets | 33,310 | <i>151,086</i> |
| Interest received | (225,328) | <i>(64,432)</i> |
| Taxation charge | 1,409,685 | <i>1,239,195</i> |
| Decrease/(increase) in stocks | 427,313 | <i>(106,041)</i> |
| (Increase)/decrease in debtors | (2,745,530) | <i>2,498,926</i> |
| Decrease/(increase) in amounts owed by groups | 17,101,562 | <i>(3,048,292)</i> |
| Increase/(decrease) in creditors | 4,118,294 | <i>(2,635,307)</i> |
| Increase in amounts owed to groups | 273,484 | <i>421,653</i> |
| Corporation tax (paid) | (1,610,408) | <i>(1,753,488)</i> |
| Net cash generated from operating activities | 24,695,244 | <i>2,263,636</i> |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (28,495) | <i>(18,696)</i> |
| Sale of tangible fixed assets | - | <i>1,969</i> |
| Interest received | 225,328 | <i>64,432</i> |
| Net cash from investing activities | 196,833 | <i>47,705</i> |
| Cash flows from financing activities | | |
| Dividends paid | (1,679,549) | <i>-</i> |
| Net cash used in financing activities | (1,679,549) | <i>-</i> |
| Net increase in cash and cash equivalents | 23,212,528 | <i>2,311,341</i> |
| Cash and cash equivalents at beginning of year | 9,610,810 | <i>7,299,469</i> |
| Cash and cash equivalents at the end of year | <u>32,823,338</u> | <i><u>9,610,810</u></i> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 32,823,338 | <i>9,610,810</i> |
| | <u>32,823,338</u> | <i><u>9,610,810</u></i> |

The notes on pages 12 to 26 form part of these financial statements.

Commscare Group Limited

Analysis of Net Debt
For the Year Ended 31 December 2019

| | At 1 January 2019 £ | Cash flows £ | At 31 Decemb 2019 £ |
|--------------------------|------------------------------------|--------------------------|------------------------------------|
| Cash at bank and in hand | 9,610,810 | 23,212,528 | 32,823,338 |
| Debt due within 1 year | (62,501) | 38,191 | (24,310) |
| | <u>9,548,309</u> | <u>23,250,719</u> | <u>32,799,028</u> |

The notes on pages 12 to 26 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. General information

Commscare Group Limited is a private company limited by members capital and incorporated in England. The company's registered office is Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, Cheshire, CW9 7UA. Its principal activity is the provision of specialist professional, managed, and maintenance IT services to over 800 Channel Partners throughout the UK.

2. Accounting policies

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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 judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of HNA Technology Group Co., Ltd as at 31 December 2019 and these financial statements may be obtained from the Shanghai stock exchange..

2.3 Exemption from preparing consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements as all of its subsidiaries are required to be excluded from consolidation by section 402 of the Companies Act 2006.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)**2.4 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Revenue

Revenue 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. Revenue 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 revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover from maintenance contracts is spread over the life of the contract on a straight line basis except in the first month of any contract where additional revenue is released to match initial contract costs. Costs are recognised as they are incurred.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Interest income

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

2.8 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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current 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 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.

2.10 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:

| | | | |
|-----------------------|---|-----|--|
| Leasehold property | - | | Straight line over the period of the lease |
| Fixtures and fittings | - | 25% | Straight line |
| Computer equipment | - | 50% | Straight line |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Stocks

Stocks are held for use in the supply of maintenance contracts on a continuing basis and are systematically provided for at a rate of 20% on a reducing balance basis so as to reduce their value over the underlying contract length.

2.13 Debtors

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

2.14 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Commscare Group Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

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 Statement of Financial Position 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 Statement of Financial Position.

2.18 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.

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at 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.

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Recoverable value of trade debtors

The company has recognised trade debtors with a carrying value of £6,537,981 (2018: £6,183,794). The recoverability of trade debtors is regularly reviewed in the light of available economic information specific to each debtor and specific provisions are recognised for balances considered to be at risk of being irrecoverable.

Tangible fixed assets

The management of the company exercises judgement in estimating the useful economic life of fixed assets.

4. Turnover

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

| | 2019 £ | 2018 £ |
|----------------------|-------------------|-------------------|
| Maintenance services | <u>38,599,202</u> | <u>34,786,311</u> |

Analysis of turnover by country of destination:

| | 2019 £ | 2018 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 38,173,863 | 34,545,332 |
| Rest of Europe | 247,171 | 240,979 |
| Rest of the world | 178,168 | - |
| | <u>38,599,202</u> | <u>34,786,311</u> |

Commscare Group Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

5. Operating profit

The operating profit is stated after charging:

| | 2019 | <i>2018</i> |
|---------------------------------------|-------------------------|-------------------------|
| | £ | <i>£</i> |
| Depreciation of tangible fixed assets | 33,310 | <i>151,086</i> |
| Exchange differences | 119,330 | <i>8,284</i> |
| Other operating lease rentals | 852,764 | <i>849,883</i> |
| | <u>1,005,404</u> | <i><u>1,009,253</u></i> |

6. Auditors' remuneration

| | 2019 | <i>2018</i> |
|---|---------------|---------------|
| | £ | <i>£</i> |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 41,000 | <i>15,000</i> |

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2019 | <i>2018</i> |
|-------------------------------------|--------------------------|--------------------------|
| | £ | <i>£</i> |
| Wages and salaries | 10,627,948 | <i>9,633,958</i> |
| Social security costs | 874,391 | <i>873,894</i> |
| Cost of defined contribution scheme | 242,790 | <i>169,205</i> |
| | <u>11,745,129</u> | <i><u>10,677,057</u></i> |

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

| | 2019 | <i>2018</i> |
|------------------------------|-------------------|-------------------|
| | No. | <i>No.</i> |
| Technical and operations | 130 | <i>139</i> |
| Sales, support and directors | 106 | <i>91</i> |
| | <u>236</u> | <i><u>230</u></i> |

Notes to the Financial Statements
For the Year Ended 31 December 2019

8. Directors' remuneration

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| | 2019 £ | 2018 £ |
|---|-----------|----------------|
| Directors' emoluments | - | 229,120 |
| Company contributions to defined contribution pension schemes | - | 4,910 |
| | <u>-</u> | <u>234,030</u> |

During the year retirement benefits were accruing to 0 directors (2018 -2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £NIL (2018 -£165,620).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 -£4,303).

The total amount paid to key management personnel, including directors amounted to £966,464 (2018: £1,018,307).

9. Interest receivable

| | 2019 £ | 2018 £ |
|---------------------------|----------------|---------------|
| Other interest receivable | <u>225,328</u> | <u>64,432</u> |

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

10. Taxation

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Corporation tax | | |
| Current tax on profits for the year | 1,401,205 | 1,330,558 |
| Adjustments in respect of previous periods | - | (67,550) |
| | <u>1,401,205</u> | <u>1,263,008</u> |
| Total current tax | <u>1,401,205</u> | <u>1,263,008</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 8,480 | (23,813) |
| Total deferred tax | <u>8,480</u> | <u>(23,813)</u> |
| Taxation on profit on ordinary activities | <u>1,409,685</u> | <u>1,239,195</u> |

Notes to the Financial Statements
For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 -lower than)the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|--|-------------------------|------------------|
| Profit on ordinary activities before tax | <u>7,322,547</u> | <u>6,799,531</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 1,391,284 | 1,291,911 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 20,267 | 18,313 |
| Depreciation on ineligible assets | 1,128 | - |
| Adjustments to tax charge in respect of prior periods | - | (67,550) |
| Short term timing difference leading to an increase (decrease) in taxation | (2,784) | (3,479) |
| Group relief | (210) | - |
| Total tax charge for the year | <u>1,409,685</u> | <u>1,239,195</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

| | 2019 £ | 2018 £ |
|------------------------------|-------------------------|-----------|
| Dividends on ordinary shares | <u>1,679,549</u> | <u>-</u> |

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

12. Tangible fixed assets

| | Short-term leasehold property £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|----------------------------|--|-------------------------------|----------------------------|------------------|
| Cost or valuation | | | | |
| At 1 January 2019 | 369,162 | 75,226 | 955,955 | 1,400,343 |
| Additions | - | 28,495 | - | 28,495 |
| At 31 December 2019 | <u>369,162</u> | <u>103,721</u> | <u>955,955</u> | <u>1,428,838</u> |
| Depreciation | | | | |
| At 1 January 2019 | 369,162 | 46,720 | 931,835 | 1,347,717 |
| Charge for the year | - | 16,379 | 16,931 | 33,310 |
| At 31 December 2019 | <u>369,162</u> | <u>63,099</u> | <u>948,766</u> | <u>1,381,027</u> |
| Net book value | | | | |
| At 31 December 2019 | <u>-</u> | <u>40,622</u> | <u>7,189</u> | <u>47,811</u> |
| <i>At 31 December 2018</i> | <u>-</u> | <u>28,506</u> | <u>24,120</u> | <u>52,626</u> |

13. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2019 | 1,823,469 |
| At 31 December 2019 | <u>1,823,469</u> |

Commscare Group Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|---------------------------------------|---|---------------------------|------------------------|----------------|
| Platform Consultancy Services Limited | 8 Cheshire Avenue Lostock Gralam Northwich CW9 7UA | Dormant | Ordinary | 100% |

14. Stocks

| | 2019 | <i>2018</i> |
|-------------------------------------|-------------------------|-------------------------|
| | £ | <i>£</i> |
| Finished goods and goods for resale | <u>1,719,326</u> | <u><i>2,146,639</i></u> |

An impairment loss of £416,249 (*2018: £431,877*) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

| | 2019 | <i>2018</i> |
|------------------------------------|--------------------------|--------------------------|
| | £ | <i>£</i> |
| Trade debtors | 6,537,981 | <i>6,183,794</i> |
| Amounts owed by group undertakings | 4,557,616 | <i>21,659,178</i> |
| Other debtors | 500 | <i>777</i> |
| Prepayments and accrued income | 9,744,651 | <i>7,353,031</i> |
| Deferred taxation | 15,182 | <i>23,662</i> |
| | <u>20,855,930</u> | <u><i>35,220,442</i></u> |

An impairment loss of £18,874 (*2018: impairment loss £68,941*) was recognised against trade debtors.

16. Cash and cash equivalents

| | 2019 | <i>2018</i> |
|--------------------------|--------------------------|-------------------------|
| | £ | <i>£</i> |
| Cash at bank and in hand | <u>32,823,338</u> | <u><i>9,610,810</i></u> |

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

17. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 637,629 | 160,174 |
| Amounts owed to group undertakings | 2,418,362 | 2,144,878 |
| Corporation tax | 446,455 | 655,658 |
| Taxation and social insurance | 1,191,768 | 666,859 |
| Other creditors | 24,310 | 62,501 |
| Accruals | 8,915,801 | 8,212,826 |
| Deferred income | 15,090,593 | 13,255,762 |
| | <u>28,724,918</u> | <u>25,158,658</u> |

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

| | 2019 £ | 2018 £ |
|-----------------|------------------|------------------|
| Deferred income | <u>3,795,093</u> | <u>3,178,778</u> |

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

19. Deferred taxation

| | 2019 £ |
|---------------------------|----------------------|
| At beginning of period | 23,662 |
| Charged to profit or loss | (8,480) |
| At end of year | <u>15,182</u> |

The deferred tax asset is made up as follows:

| | 2019 £ | 2018 £ |
|--------------------------------|----------------------|----------------------|
| Accelerated capital allowances | 5,743 | 2,556 |
| Other timing differences | 9,439 | 21,106 |
| | <u>15,182</u> | <u>23,662</u> |

20. Share capital

| | 2019 £ | 2018 £ |
|---|----------------------|----------------------|
| Allotted, called up and fully paid | | |
| 35,000 (2018 -35,000) Ordinary shares of £1.00 each | <u>35,000</u> | <u>35,000</u> |

21. Reserves

Profit and loss account

Profit and loss account - includes all current and prior period retained profits and losses.

22. 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 £242,790 (2018: £164,295). Contributions totalling £24,310 (2018: £61,001) were payable to the fund at the balance sheet date and are included in creditors.

Commscare Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

23. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2019 | <i>2018</i> |
|--|-----------------------|-----------------------|
| | £ | <i>£</i> |
| Land and Buildings | | Page 25 |
| Not later than 1 year | 189,225 | <i>47,306</i> |
| Later than 1 year and not later than 5 years | 236,531 | <i>-</i> |
| | <u>425,756</u> | <u><i>47,306</i></u> |
| | 2019 | <i>2018</i> |
| | £ | <i>£</i> |
| Motor Vehicles | | |
| Not later than 1 year | 288,653 | <i>502,442</i> |
| Later than 1 year and not later than 5 years | 257,449 | <i>260,426</i> |
| | <u>546,102</u> | <u><i>762,868</i></u> |

24. Related party transactions

The company's ultimate parent undertaking is HNA Technology Co., Ltd. The company has taken advantage of the exemption contained in FRS 102 Section 33 "Related Party Transactions" not to disclose transactions with other wholly owned group companies.

The company made net sales to a company with a common director totalling £nil (2018: £141,987). The amount due to Commscare Group Limited at year end was £nil (2018: £163,776).

25. Controlling party

The immediate parent undertaking is Ingram Micro (UK) Limited, a company incorporated in the UK.

The ultimate parent undertaking is HNA Technology Co., Ltd. The smallest and largest group to consolidate their financial statements is HNA Technology Group Co., Ltd (formerly Tianjin Tianhai Investment Co. Ltd.) which is quoted on the Shanghai stock exchange. Copies of the consolidated financial statements can be obtained in Chinese from the Shanghai stock exchange. A non - official English translation is available from Ingram Micro Inc., 3351 Michelson Drive, Suite 100, Irvine, CA 92612, USA.

Commscare Group Limited is exempt from the obligation to deliver and produce consolidated accounts. The next most senior parent to produce group accounts is HNA Technology Co., Ltd.

