

XMA LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2022



XMA LIMITED

Company Information

Directors	L Hemani K Lee L McLean (appointed 31 March 2022) A Taylor I Cunningham (resigned 31 March 2022) A Wright (resigned 31 March 2022)
Company secretary	A Taylor
Registered number	02051703
Registered office	Wilford Industrial Estate Ruddington Lane Nottingham Nottinghamshire NG11 7EP
Independent auditors	Grant Thornton UK LLP Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

XMA LIMITED

Contents

	Page
Strategic Report	1 - 7
Directors' Report	8 - 12
Independent Auditors' Report	13 - 16
Statement of Comprehensive Income	17
Balance Sheet	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20 - 37

XMA LIMITED

Strategic Report For the Year Ended 31 December 2022

Introduction

The principal activity of the company continues to be the provision of computer products and services into both the public and corporate sector.

Business review

XMA Limited ("XMA") is a privately owned business established in 1982. A trusted IT advisor to the corporate, educational and public sectors, we support our customers by combining transformational technology and services to enable their success.

Looking forward many customers are now reviewing the 'sticking plaster' solutions that they employed to get them through the pandemic and are revisiting their overall IT strategies. Infrastructure such as networking has now aged another 2 years and needs investment, as well as being adapted to support the new work style. Staff costs, retention requirements and difficulty in recruiting will drive further IT related opportunities as customers modernize and deploy further automation.

The financial position of XMA Limited is presented in the balance sheet and total shareholders' funds as of 31 December 2022 were £22.0m (2021: £17.4m).

The company is funded by its Invoice Discounting facility contract which was entered into on 13/04/2022 for a period of 36 months, with a four bank syndicate led by Lloyds Bank Commercial Finance Limited. We continue to have access to supplier financing arrangements as required and maintain strong internal controls for the recovery of trade debtors and management of working capital.

The company remains well placed to compete strongly in a number of channels in the public sector and corporate markets and we have aligned our resources and management focus to maximise the opportunities we can see ahead in these areas.

In considering the Company's ability to continue as a going concern, the Directors have prepared cash flow forecasts over the going concern forecast period up until the end of August 2024. The Directors have stress-tested these cash flow forecasts which have enabled the group to conclude they have sufficient funds to meet their cash flow requirements over the going concern forecast period. The Director's forecasts assume that the invoice discounting facility remains available over the forecast period although it is only called upon in certain downside scenarios. This facility is due for renewal in April 2025. The Directors have factored this into their overall consideration of the going concern basis of preparation of the financial statements and have concluded that they anticipate this facility to continue to be made available after April 2025 such that it can be called upon if needed and have prepared the financial statements on a going concern basis.

On 26 April 2022 XMA Limited acquired control of Capito Holdings Limited through the purchase of 100% of the share capital for total consideration of £3.5m. Capito Holdings Limited provide IT services and solutions into both the commercial and public sectors. The acquisition strengthens XMA's position within the marketplace and accelerates financial growth.

Subsequent to year end the directors do not intend for Capito Holdings Limited or Capito Limited to carry out any trading activity in the foreseeable future, as previous operations will be hived into XMA Limited during 2023.

Future developments

Through further investments in our people and systems we strive to expand our business in all our markets.

During 2022, XMA increased the focus on improving efficiency within our end to end supply chain to mitigate the increasing turnaround times from order placement to delivery.

Ahead of 2023, XMA continue to grow the recently formed Alliances team which are tasked with driving partner technology propositions. The directors remain confident that XMA Limited is well placed to take advantage of opportunities as they arise.

XMA LIMITED**Strategic Report (continued)
For the Year Ended 31 December 2022****Principal risks and uncertainties**

The directors consider that the following are the principal risk factors that could materially and adversely affect the company's future operating profits or financial position. The company has controls embedded within its systems to limit each of these potential exposures and regularly reviews, reassesses and proactively limits the associated risks.

- Intense competition among global IT vendors or within the channel may lead to reduced prices, lower sales or reduced sales growth, lower gross margins, extended payment terms with customers, increased investment and interest costs or bad debt risks. The company differentiates itself within the marketplace by offering best value and market leading service levels to its customers.
- Significant changes in supplier terms, such as volume discounts or rebates, a reduction in the number of incentives available, reduction or termination of price protection, stock rotations or other stock management programs or reductions in payment terms may adversely impact operations or financial conditions.
- The company principally sells in sterling and purchases a proportion of its supplies in dollars and euros. The currency risk exposure is managed through support from vendors on specific customer tenders and the use of forward contracts through its treasury function. When possible, sale prices are adjusted to reflect changing costs of supplies.
- In prior years the IT hardware supply chain had seen some constraints and the turnaround time from order placement to delivery had been increasing. The supply chain throughout 2022 has been shown to have some inbuilt weaknesses which have now been exposed because of increased demand, manufacturing issues (China continues to have a zero COVID case policy with short sharp localised lockdowns resulting in factory closures), component shortages, shortages of air and sea freight capacity and the impact of global energy cost increases.
- Exposure to inflation and the cost of living crisis has led to increased costs for XMA and it is expected the company will see a continued pressure on salaries. This will be compounded by the skills gap in the UK meaning that pressure on salary costs will be high as we move forward.

Financial key performance indicators

	2022	2021	Change
	£'000/%	£'000/%	£'000
Turnover	351,205	430,869	(79,664)
Operating profit	5,838	8,710	(2,872)
Operating profit as % of turnover	1.66%	2.02%	

XMA LIMITED

Strategic Report (continued) For the Year Ended 31 December 2022

Directors' statement of compliance with duty to promote the success of the Company

As the Directors of XMA Limited, we have a legal responsibility under section 172 of the Companies Act 2006 to act in a manner which we consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

Stakeholder Engagement

XMA is one of the UK's largest VARs, providing business critical technology and IT services to public sector and private companies.

The Board is focused on delivering both the financial objectives of the company as well as delivering an excellent service and experience for customers. The key objective of the company is to grow sales revenues and profitability whilst maintaining an efficient working capital model.

The XMA Board of Directors meet weekly to discuss progress against targets and key objectives focussing on growth, efficiency, and staff. The Board also meet monthly to consider a range of compliance issues, a full review of the risk register as well as reporting back on the performance of the business in all divisions and ensuring the goals set out at the start of the year are met. These goals are formalised in a detailed budget which is used to set the company's and staff's objectives each year. Management accounts are presented showing performance against these budgets.

The business objectives and KPIs are reviewed by the Board, where new commercial opportunities, business efficiencies and initiatives are reviewed by senior executives and Board Directors. IT projects, resource, sales alignment and structures, or people management and development initiatives that are material to the company are presented by senior executives to the Board directors.

The Board have always considered that the business is more effective when staff are present in the office and have worked hard to implement a hybrid based working practice (minimum 3 days office based) to maximize staff performance and satisfaction.

Values and Training

Our business strategy frames the business' goals and key drivers. Our promise to our customers underpins our customer first mentality and our values are how we deliver on this. The purpose of the company is to drive outcome-based experiences for our customers, a success before solutions approach.

Our external values, commitment and promises to our customers:

We provide **EXperience**, in specialist knowledge and outcome-based collaboration.

FleXibility, we adopt new ways of working, learning, and living – and successfully adapt to any change.

EXcellence – We solve people problems, and go at the pace of each customer, and always apply good commercial sense to any specific challenge.

RelaX – You can trust XMA to be transparent, realistic, friendly and honest.

Our External values that we present to the market above are underpinned by strong internal values:

We are **humble and respectful** - Everyone at XMA can be their best selves and do an eXcellent job. We show respect for everyone – our colleagues, customers, suppliers and associates and take the time to listen fairly and respond professionally. We show humility by learning from our mistakes and sharing success.

XMA LIMITED

Strategic Report (continued) For the Year Ended 31 December 2022

We **include** everyone - We welcome and celebrate diversity and do not exclude any group, for any reason. We seek to understand other perspectives and celebrate collaboration, new ways of working and the strengths of the group. We are compassionate and empathetic to all.

We are always our **true selves** - We are comfortable to be ourselves at XMA – we are genuine, honest and transparent with our colleagues, customers, suppliers and associates. Through trusted relationships we give and receive open and honest feedback and are accountable for our actions. We are brave and call out inappropriate behaviour.

We **prioritise our customers** - No matter who you are or what you do, providing a first class and credible service to our customers is essential. Through great conversation we are trusted advisors - prioritising our customer's requirements by understanding their challenges, helping them to think bigger, and exceeding their expectations every time. We do the right thing, even when no-one is watching.

We are **passionate** about the value we add - As XMA employees we are eXtraordinary – we are ambitious, positive, courageous and enthusiastic about what we do. Our passion allows us to be innovative, curious, enthusiastic and adopt a winning mindset. We are advocates for positive change, champion our credentials and believe in the XMA goals.

These values are introduced to all staff at induction into the company, which all staff must attend within one month of joining XMA and are re-enforced in regular performance reviews throughout the year as well numerous team and company briefings. Every 6 weeks, 2 Board members hold a leadership and management team briefing discussing our eXceptional 7 goals and our internal values. Messaging from this forum is cascaded by this team to all staff. Employees are judged on their adherence to these values as they form the foundation of everything the company does.

Ongoing training is provided to all staff through a learning and development team and on-site peer group buddying. Training can be delivered through a fully auditable e-learning platform to ensure compliance as well as monitoring performance. The Board see training as critical in improving individual and team performance as well as enhancing individual management skills. During the pandemic, this training was done remotely.

People Strategy

During 2022, XMA's Chief People Officer created a People strategy which focuses on the continuous enhancement of the relationship between XMA and its individuals. The strategy focuses on the following core pillars:

- Determining the optimal cultural fit of our individuals
- Enabling employee growth
- Improving the employee experience
- Establishing a feedback culture
- Nurturing respectful communication
- Fostering diversity, equity, and inclusion
- Responding to workforce needs

Employee feedback is encouraged and confidentiality respected, via external anonymous surveys conducted by Investors in People and Peakon, twice a year. This feedback supports the evolution of our People strategy and is aligned to our eXceptional seven strategy, 'Being a Great Place to Work'.

XMA LIMITED

Strategic Report (continued) For the Year Ended 31 December 2022

Environmental, Social & Governance (ESG)

Within 2022, XMA increased the focus around Social Value and Sustainability with a move to developing, designing, implementing, and reporting in the areas of ESG, the latest market requirements. Following the investment, by the Executive Board, to hire a new ESG Director, we have continued to make strides to demonstrate our capabilities as an early market adopter and with market leading outputs. Through the clarity our newly formed ESG Strategy and ESG Impact Matrix, we can deliver on our ESG vision:

“To leave a legacy that continuously improves people’s lives”

and three ESG missions:

- *Environmental: To continuously improve our environmental impact and care for our planet. Through support, education and collaboration, we’ll bolster our efforts in improving our environmental output, as well as that of those around us.*
- *Social: To improve the lives of everyone involved with XMA. From colleagues and customers to suppliers and wider communities, we’re driven to make positive life-enhancing improvements.*
- *Governance: We’re making XMA a fairer place to work, where everyone is treated as an equal and given the support needed to excel.*

To ensure we maintain our ESG focus, we set up a ESG Board, to set the direction and targets aligned to our Impact Matrix and three key Strategic Themes:

- *Climate Change – Carbon Net Zero (2045 All Scopes)*
- *Employability – Disability Employment Gap*
- *Emerging Careers – Equality, Diversity and Inclusion, Apprenticeships and Early Careers*

ESG Action Groups, to focus on projects and delivery and ESG Ambassador programme, allowing XMA staff the ability to involve themselves into this area and influence the way XMA continue to drive this agenda.

Environmental

In 2022, XMA undertook a distinct adjustment in our Environmental strategy and focus to achieve Net Zero. Through our ESG Strategy and Carbon Reduction Plan, we have improved our pledge to achieve Carbon Net Zero across all scopes from 2050 to 2045, whilst achieving on Scope 1 (direct emissions) and 2 (indirect emissions) by 2030, all underpinned by further investment and measures across our business.

We published our 2022 Carbon Reduction Plan, with key tCo2e reduction targets (vs the 2019 baseline, 1602.37 tCo2e) to achieve an 81% reduction by 2027 (320.47 tCo2e) and a reduction target of 30% by 2022 (1,121.66 tCo2e), for which we achieved at 31.40% (1,099.13 tCo2e).

Social

XMA seek to be a business that gives back to its communities and others. Historically, we have demonstrated this across our business with support for charities, mentoring programs for undergraduates, giving time to students under a training program for interview skills.

In 2022, XMA heavily focused on Employability and the Disability Employment Gap as our key strategic theme and deliverable. We committed to a framework of training and development across our management population, with over 30 managers trained in Disability Confidence supporting the success of being awarded Disability Confident Level 1 (Committed), Disability Confident Level 2 (Employer) and we are targeting Disability Confident Level 3 (Leader) within 2023.

XMA LIMITED

Strategic Report (continued) For the Year Ended 31 December 2022

XMA introduced an additional selection of Employee Benefits to support our colleagues, which ranged from improved Pension Scheme, YuLife and Health Insurance through to discounted food across all sites, onsite fruit availability and free drinks.

Additionally, we have supported all our employees in their time and efforts to raising money, along with 'paid' volunteering days, for charities and good causes, that have a specific meaning to them and their families.

Governance

In 2022, XMA became a 'Real Living Wage' employer, in a bid to level up and support the cost of living, alongside being awarded and accredited as Investors in People.

Our Early Careers programme maintained momentum as XMA secured several Apprenticeships across Finance, Sales, Marketing and HR, alongside three Graduate placements.

Economic

XMA works with customers, partners, and vendors to produce solutions that are not only in line with the company's strategic direction but also help us and our customers meet sustainability and CSR goals. These include the reduction and management of packaging waste, effective management of logistics, the re-use or recycling of legacy IT equipment, workshop and repair, and the use of Suppliers that pass our approval process in terms of capability, experience and accreditations alongside sustainability and CSR commitments also.

Across all three key principles, XMA maintains strong ethical standards. We only work with stakeholders who replicate our own values, standards, and beliefs in provide a safe working, healthy, collaborative and supportive environment for its staff. Our major manufacturers have global ethical strategies focused on the impact for the communities in which they live and work in a positive way.

We adopt an internal code of conduct and have expectations of our own suppliers to also adhere to a code of conduct that reflects our own values on labour, human rights, and anti-corruption.

Mental Health

The XMA Board takes its responsibilities for the mental health of its employees seriously including providing and training mental health first aiders across the business, utilising external occupational mental health specialists, regular encouragement to speak to managers, a HR helpline and constant communication with those staff members working at home, particularly those that were furloughed or shielding.

Our mental health first aiders have created a programme of communications for all staff that are issued regularly. All employees are contacted for a check-in and where required follow-up support, within the strictest levels of confidentiality. There are also a series of regular surveys to ask about health and wellbeing and to remind staff of the Teams and contacts they can reach out to for assistance.

Additional support is provided to all staff through our Employee Assistance Programme via the provider YuLife, offering on demand support for many daily challenges including mental health support. Staff are able to access a 24/7 virtual GP service which can refer individuals directly for private treatment if required.

Brexit

We remain committed to Brexit and as a leading supplier of technology to public sector institutions and UK companies with European locations, the company has overcome the challenges presented by the UK's exit from the European Union.

Responsible Consumption and Production

The company recognises that as an important part of the supply, it has a duty to monitor its suppliers' compliance with sustainable production and is committed to ensuring XMA's suppliers report on their sustainability initiatives.

XMA LIMITED

**Strategic Report (continued)
For the Year Ended 31 December 2022**

The company itself is committed to becoming Net Zero by 2045 and having a robust supply chain that can achieve and support the ability to achieve that date. Under legal requirement, XMA comply fully with all waste, WEEE and ISO requirements that are aligned to our operational output, continually seeking advancement, solutions and improvements in technology, products and/or services to enable for us to improve quicker, efficiently and effectively.

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

Antony Taylor

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A Taylor
Director

Date: 10/8/2023

XMA LIMITED

Directors' Report For the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £4,541 thousand (2021 - £7,060 thousand).

During the year, dividends of £nil were paid (2021 - £4,212 thousand).

In 2021, an interim dividend of £3.000m was distributed on 28 April 2021. A final dividend of £1.212m was distributed on 29 December 2021.

Directors

The directors who served during the year were:

L Hemani
K Lee
L McLean (appointed 31 March 2022)
A Taylor
I Cunningham (resigned 31 March 2022)
A Wright (resigned 31 March 2022)

Future developments

Through further investments in our people and systems we strive to expand our business in all our markets. The directors remain confident that XMA Limited is well placed to take advantage of opportunities as they arise.

XMA LIMITED

Directors' Report (continued) For the Year Ended 31 December 2022

Engagement with employees

Our employees are our most valuable assets. Without our staff, we're unable to develop the strong relationships with our key business partners and deliver the products and services that make our business a success. They make an enormous difference to our business and our investment in them protects and strengthens our common goals. We actively engage with employees on significant decisions that may impact them and share our strategy and decision making through key communications throughout the year. The Introduction of CPC (Continuous Performance Conversations) has proven to further improve employee engagement and we are an accredited real living wage employer.

Engagement with suppliers, customers and others

Our customers and suppliers are at the heart of everything we do and because of this, we work hard to build and foster strong and long-lasting relationships with them. We seek to entangle ourselves with our key business partners by face to face interactions, industry events, workshops and roadshows, promotional activity and open days. By continually focussing on the strength of these relationships we further cement our ability to grow our business and explore the many commercial opportunities in front of us.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Qualifying third party indemnity provisions

The directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

XMA LIMITED**Directors' Report (continued)
For the Year Ended 31 December 2022****Greenhouse gas emissions, energy consumption and energy efficiency action**

All XMA Limited electricity and gas invoices are entered into a fully managed energy database, in which data quality checks are carried out for completeness and accuracy. Transport information is also entered into the energy database.

There is a very small amount of missing invoice data, with 0.1% consumption data required to be estimated to achieve 100% data coverage.

Scope 1 consumption and emissions relate to direct combustion of natural gas.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to Transportation emissions resulting from sources not directly owned by the reporting company. For XMA, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only. No other transport emissions are included in this report.

The total consumption (kWh) figures for energy supplies reportable by XMA Limited are as follows:

Utility and Scope	2022 UK Consumption (kWh)	2021 UK Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	913,449	773,341
Gaseous and other fuels (Scope 1)	851,550	1,233,954
Transportation (Scope 3)	913,449	721,638
Total	2,678,448	2,728,933

The total emission (tCO₂e) figures for energy supplies reportable by XMA Limited are as follows. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2022 UK Consumption (tCO ₂ e)	2021 UK Consumption (tCO ₂ e)
Grid-Supplied Electricity (Scope 2)	176.64	164.20
Gaseous and other fuels (Scope 1)	172.24	226.01
Transportation (Scope 3)	161.60	168.83
Total	510.48	559.04

XMA LIMITED**Directors' Report (continued)
For the Year Ended 31 December 2022****Intensity Metric**

An intensity metric of tCO₂e per £m turnover has been applied for the annual total emissions of XMA Limited. The methodology of the intensity metric calculations is detailed in the appendix, and results of this analysis is as follows:

Intensity Metric	2022 UK Intensity Metric	2021 UK Intensity Metric
tCO ₂ e / £m revenue	1.45	1.29

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, foreign exchange rate risk, credit risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit consideration.

Liquidity risk

Liquidity risk is managed through an assessment of working capital requirements to ensure the company has sufficient funds available for operations and planned expansions.

The funds used for managing operations include bank overdrafts and loans. In addition, the company has access to an asset-based lending facility with Lloyds Bank Commercial Finance Limited.

Foreign exchange risk

The company sells to customers in foreign currencies and also makes purchases denominated in foreign currencies. The company is therefore exposed to foreign currency movements throughout the year. The currency risk exposure is managed through the use of forward foreign currency contracts. No hedge accounting is applied.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the future cash flows.

The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company has a policy and procedures manual that sets out specific guidance to manage credit risk where policies have been implemented that require appropriate credit checks on potential customers before sales are made. Additionally, the company has a debt insurance policy in place.

The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Charitable donations

The company has continued to support national charities through internally organised functions and fundraising events. Charitable donations were made during the year to the value £47,733 (2021: £39,070).

XMA LIMITED

**Directors' Report (continued)
For the Year Ended 31 December 2022**

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Antony Taylor

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A Taylor
Director

Date: 10/8/2023

XMA LIMITED

Independent Auditors' Report to the Members of XMA Limited

Opinion

We have audited the financial statements of XMA Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 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 2022 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine and the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

XMA LIMITED

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

Other information

statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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

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

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

XMA LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non compliance with laws and regulations throughout the audit. These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We enquired of management and those charged with governance, concerning the Company's policies and procedures relating to:
 - o the identification, evaluation and compliance with laws and regulations; and
 - o the detection and response to the risks of fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We corroborated the results of our enquiries to relevant supporting documentation.

XMA LIMITED

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

- Audit procedures performed by the engagement team included:
 - o evaluation of the processes and controls established to address the risks related to irregularities and fraud;
 - o testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - o identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - o understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - o knowledge of the industry in which the client operates;
 - o understanding of the legal and regulatory requirements specific to the Company including:
 - the provisions of the applicable legislation;
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - o the Company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - o the applicable statutory provisions;
 - o the Company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements.

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.

Use of our report

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

Grant Thornton UK LLP

Charlotte Anderson BSc FCA (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
Milton Keynes
Date: 10/8/2023

XMA LIMITED

Statement of Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	351,205	430,869
Cost of sales		(315,860)	(384,161)
Gross profit		35,345	46,708
Administrative expenses		(30,652)	(37,264)
Other operating income		1,145	2,272
Reinstatement of customer credit balance liability		-	(3,006)
Operating profit	5	5,838	8,710
Interest receivable and similar income	9	-	7
Interest payable and similar expenses	10	(221)	(102)
Profit before tax		5,617	8,615
Tax on profit	11	(1,076)	(1,555)
Profit for the financial year		4,541	7,060

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021:£000NIL).

The notes on pages 20 to 37 form part of these financial statements.

XMA LIMITED
Registered number: 02051703

Balance Sheet
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	1,481	-
Tangible assets	14	1,094	853
Investments	15	3,667	-
		<u>6,242</u>	<u>853</u>
Current assets			
Stocks	16	13,847	19,817
Debtors: amounts falling due within one year	17	36,231	34,674
Cash at bank and in hand		795	3,460
		<u>50,873</u>	<u>57,951</u>
Creditors: amounts falling due within one year	19	(31,430)	(38,465)
Net current assets		<u>19,443</u>	<u>19,486</u>
Total assets less current liabilities		<u>25,685</u>	<u>20,339</u>
Creditors: amounts falling due after more than one year	20	(1,468)	(1,610)
Provisions	23	(2,232)	(1,285)
Net assets		<u><u>21,985</u></u>	<u><u>17,444</u></u>
Capital and reserves			
Called up share capital	24	533	533
Share premium account	25	67	67
Profit and loss account	25	21,385	16,844
		<u>21,985</u>	<u>17,444</u>

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

Antony Taylor

.....
A Taylor
Director

Date: 10/8/2023

The notes on pages 20 to 37 form part of these financial statements.

XMA LIMITED

**Statement of Changes in Equity
For the Year Ended 31 December 2022**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	533	67	13,996	14,596
Profit for the year	-	-	7,060	7,060
Dividends	-	-	(4,212)	(4,212)
At 1 January 2022	<u>533</u>	<u>67</u>	<u>16,844</u>	<u>17,444</u>
Profit for the year	-	-	4,541	4,541
At 31 December 2022	<u><u>533</u></u>	<u><u>67</u></u>	<u><u>21,385</u></u>	<u><u>21,985</u></u>

The notes on pages 20 to 37 form part of these financial statements.

XMA LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

XMA Limited is a private company limited by shares incorporated in England within the United Kingdom. The address of its registered office is Wilford Industrial Estate, Ruddington Lane, Wilford, Nottingham, NG11 7EP. The company registration number is given in the Company information page of these financial statements.

The principal activity of the Company is the provision of computer products and services into both the public and corporate sector.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £1,000.

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

The 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 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of XMA Holdings Limited as at 31 December 2022 and these financial statements may be obtained from Wilford Industrial Estate, Ruddington Lane, Wilford, Nottingham, NG11 7EP.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

XMA LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will continue to be able to meet its liabilities as they fall due for at least 12 months following the date of approval of these financial statements.

In considering the Company's ability to continue as a going concern, the Directors have prepared cash flow forecasts over the going concern forecast period up until the end of August 2024. The Directors have stress-tested these cash flow forecasts which have enabled the group to conclude they have sufficient funds to meet their cash flow requirements over the going concern forecast period. The Director's forecasts assume that the invoice discounting facility remains available over the forecast period although it is only called upon in certain downside scenarios. This facility is due for renewal in April 2025. The Directors have factored this into their overall consideration of the going concern basis of preparation of the financial statements and have concluded that they anticipate this facility to continue to be made available after April 2025 such that it can be called upon if needed and have prepared the financial statements on a going concern basis.

Subsequent to year end the directors do not intend for Capito Holdings Limited or Capito Limited to carry out any trading activity in the foreseeable future, as previous operations will be hived into XMA Limited during 2023.

2.5 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'.

XMA LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.6 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:

Sale of goods

Revenue 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 revenue 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided 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;

2.7 Interest income

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

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

XMA LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.10 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 balance sheet date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 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.

XMA LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2022****2. Accounting policies (continued)****2.12 Intangible assets****Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the company's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of comprehensive income over its useful economic life.

Software

Software costs have been recognised as an intangible asset.

Intangible assets are initially recognised at cost, comprising all directly attributable costs, including employee benefits. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of comprehensive income.

XMA LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2022****2. Accounting policies (continued)****2.13 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 improvements	- Over the term of the lease
Plant and machinery	- 20% Straight line
Computer equipment	- 25% - 33% 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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

2.16 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.

2.17 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.

2.18 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.

XMA LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.19 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.

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 balance sheet date.

2.20 Provisions for liabilities

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

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

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

2.21 Pensions

Defined contribution pension plan

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

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

XMA LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.22 Operating leases: the Company as lessee

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

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.

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

In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventory provisioning

The Company is a reseller of computer peripheral equipment and related services. The products it sells are subject to rapid technological changes, as a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The provision as at 31 December 2022 was £0.448m (2021 - £3.340m).

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

4. Turnover

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

	2022 £000	2021 £000
Supply of goods	323,002	400,345
Supply of services	28,203	30,524
	<u>351,205</u>	<u>430,869</u>

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	343,500	424,876
Rest of Europe	6,641	4,851
Rest of the world	1,064	1,142
	<u>351,205</u>	<u>430,869</u>

5. Operating profit

The operating profit is stated after charging:

	2022 £000	2021 £000
Impairment of trade debtors	169	11
Depreciation of tangible fixed assets	470	459
Impairment of stock (included in 'cost of sales')	85	2,916
Reinstatement of customer credit balance liability	-	3,006
Loss/(profit) on disposal of tangible fixed assets	-	(29)
Foreign exchange (gains)/losses	(93)	(42)
Operating lease charges	1,681	1,106
	<u>1,681</u>	<u>1,106</u>

6. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	98	100
	<u>98</u>	<u>100</u>

XMA LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2022****7. Employees**

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

	2022	<i>2021</i>
	£000	<i>£000</i>
Wages and salaries	15,529	<i>24,394</i>
Social security costs	3,488	<i>2,814</i>
Pension costs	579	<i>512</i>
	19,596	<i>27,720</i>

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

	2022	<i>2021</i>
	No.	<i>No.</i>
Sales & Distribution	174	<i>129</i>
Administration	346	<i>336</i>
	520	<i>465</i>

8. Directors' remuneration

	2022	<i>2021</i>
	£000	<i>£000</i>
Directors' emoluments	1,066	<i>1,401</i>
Company contributions to money purchase schemes	4	<i>23</i>
	1,070	<i>1,424</i>

During the year retirement benefits were accruing to 3 directors (*2021 - 4*).

The highest paid director received remuneration of £377 thousand (*2021 - £452 thousand*).

The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £1 thousand (*2021 - £1 thousand*).

9. Interest receivable

	2022	<i>2021</i>
	£000	<i>£000</i>
Other interest receivable	-	<i>7</i>

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

10. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	219	101
Other interest payable	2	1
	<u>221</u>	<u>102</u>

11. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	909	1,683
Adjustments in respect of previous periods	30	4
Total current tax	<u>939</u>	<u>1,687</u>
Deferred tax		
Origination and reversal of timing differences	131	(29)
Changes to tax rates	42	(88)
Adjustment in respect of prior years	(36)	(15)
Total deferred tax	<u>137</u>	<u>(132)</u>
Taxation on profit on ordinary activities	<u>1,076</u>	<u>1,555</u>

XMA LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
Profit on ordinary activities before tax	<u>5,617</u>	<u>8,615</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,067	1,637
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14	17
Income not taxable	(41)	-
Tax rate changes	42	(88)
Adjustments to tax charge in respect of prior periods	(6)	(11)
Total tax charge for the year	<u>1,076</u>	<u>1,555</u>

Factors that may affect future tax charges

From 1 April 2023, the rate of corporation tax in the United Kingdom has increased from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

As the 25% rate was enacted in May 2021, this rate has been reflected in the calculation of deferred tax.

12. Dividends

	2022	2021
	£000	£000
Ordinary dividends	<u>-</u>	<u>4,212</u>

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Intangible assets

	ERP system £000	Goodwill £000	Total £000
Cost			
At 1 January 2022	-	2,636	2,636
Additions	1,481	-	1,481
At 31 December 2022	<u>1,481</u>	<u>2,636</u>	<u>4,117</u>
Amortisation			
At 1 January 2022	-	2,636	2,636
At 31 December 2022	<u>-</u>	<u>2,636</u>	<u>2,636</u>
Net book value			
At 31 December 2022	<u>1,481</u>	<u>-</u>	<u>1,481</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>

The goodwill arose on the acquisition of the trade and designated assets and liabilities of Direct IT Distribution Limited, XMA Print Solutions Limited and QC Supplies Limited, and was amortised on a straight-line basis over the useful economic lives of 10 years, 5 years and 10 years respectively. The goodwill is fully amortised.

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

14. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Computer equipment £000	Total £000
Cost				
At 1 January 2022	148	663	2,554	3,365
Additions	-	355	356	711
At 31 December 2022	148	1,018	2,910	4,076
Depreciation				
At 1 January 2022	148	489	1,875	2,512
Charge for the year	-	99	371	470
At 31 December 2022	148	588	2,246	2,982
Net book value				
At 31 December 2022	-	430	664	1,094
At 31 December 2021	-	174	679	853

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
Additions	3,667
At 31 December 2022	3,667

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Capito Holdings Limited	Caputhall Road, Deans, Livingston, EH54 8AS	Ordinary shares	100%
Capito Limited (indirectly held)	Caputhall Road, Deans, Livingston, EH54 8AS	Ordinary shares	100%

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

16. Stocks

	2022 £000	2021 £000
Finished goods and goods for resale	13,847	19,817

17. Debtors

	2022 £000	2021 £000
Trade debtors	29,867	32,425
Amounts owed by related party	176	-
Other debtors	56	280
Prepayments and accrued income	4,894	1,603
Corporation tax repayable	1,009	-
Deferred taxation	229	366
	<u>36,231</u>	<u>34,674</u>

18. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	795	3,460

19. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Invoice discounting facility	7,090	1,892
Trade creditors	16,079	26,539
Amounts owed to related party	934	949
Corporation tax	-	117
Other creditors	6,824	4,706
Accruals and deferred income	503	4,262
	<u>31,430</u>	<u>38,465</u>

Details of security provided:

The Company is financed by an invoice discounting facility which is secured against trade debtors. The company meets its day-to-day working capital requirements through its £20m invoice discounting facility with Lloyds bank. The facility was renegotiated on 13 April 2022 and is secured until 12 April 2025.

XMA LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2022

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

	2022 £000	2021 £000
Accruals and deferred income	1,468	1,610

21. Financial instruments

	2022 £000	2021 £000
Financial assets		
Financial assets measured at amortised cost	31,108	32,705
Financial liabilities		
Financial liabilities measured at amortised cost	(30,927)	(34,086)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by related parties and other debtors.

Financial liabilities measured at amortised cost comprise invoice discounting facility, trade creditors, amounts owed to related parties and other creditors.

22. Deferred taxation

	2022 £000
At beginning of year	366
Charged to profit or loss	(137)
At end of year	229

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Fixed asset timing differences	188	323
Short term timing differences	41	43
	229	366

XMA LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

23. Provisions

	Dilapidations £000	Warranty provision £000	Other provisions £000	Total £000
At 1 January 2022	710	-	575	1,285
Charged to profit or loss	10	701	-	711
Utilised in year	-	-	(575)	(575)
Reclassification	-	811	-	811
At 31 December 2022	720	1,512	-	2,232

24. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
533,332 (2021 - 533,332) Ordinary shares of £1.00 each	533	533

25. Reserves**Share premium account**

Share premium represents the amounts received above the nominal value for shares sold, less the transaction costs.

Profit and loss account

The profit and loss account represents the cumulative profits and losses net of dividends.

26. Pension commitments

The Company operates a defined contribution 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 £579 thousand (2021 - £512 thousand). Contributions totalling £94 thousand (2021 - £163 thousand) were payable to the fund at the balance sheet date and are included within accruals.

XMA LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2022****27. Commitments under operating leases**

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	<i>2021</i>
	£000	<i>£000</i>
Not later than 1 year	1,005	<i>990</i>
Later than 1 year and not later than 5 years	2,344	<i>3,350</i>
	3,349	<i>4,340</i>

28. Related party transactions

In accordance with the exemption available under section 33.1A of FRS 102 'Related Party Disclosures', transactions with other wholly owned group undertakings have not been disclosed within these financial statements.

The Company has taken advantage of the exemption under FRS 102 section 1.12 'Reduced Disclosures for Subsidiaries' from disclosing key management personnel compensation in total.

During the year the Group paid rent to Hemani Investments Limited of £279 thousand (*2021 - £279 thousand*). Hemani Investments Limited is a company owned by A Hemani. As at 31 December 2022 the balance is £nil (*2021 - £nil*).

During the year the Group made purchases of £228,520 thousand (*2021 - £278,108 thousand*) to companies which have directors in common. As at 31 December 2022 £934 thousand (*2021 - £949 thousand*) was outstanding in regards to these purchases.

During the year the Group were recharged expenses of £1,050 thousand (*2021 - £2,673 thousand*) from a company which has directors in common. As at 31 December 2022 the balance is £176 thousand (*2021 - £nil*).

29. Controlling party

The Company is a wholly owned subsidiary undertaking of XMA Holdings Limited, a company registered in England and Wales.

The ultimate parent company is XMA Holdings Limited which is the largest and smallest group in which XMA Limited is consolidated.

The ultimate controlling party is A Hemani.