

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

A&O IT SERVICES LIMITED

MENZIES

A&O IT SERVICES LIMITED

COMPANY INFORMATION

Directors	R R Moore R F Ridgwell
Registered number	08018207
Registered office	The Capitol Building Oldbury Bracknell Berkshire RG12 8FZ
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor 1st Floor Midas House 62 Goldsworth Road Woking Surrey GU21 6LQ

A&O IT SERVICES LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 8
Statement of Income and Retained Earnings	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 27

A&O IT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The principal activity of the Company is the provision of managed services to global IT equipment manufacturers and international providers of IT Infrastructure outsourcing. The Company acts as the prime contractor for IT business on behalf of the A&O Group and thus benefits from the international scale of the Group's structure. The Company also owns a thriving international cyber consultancy business.

Business review

The 2022 financial year has seen a world economic bounce back from the Covid-19 pandemic, albeit, with working practices now reflecting a more balanced approach between office and home working. For the Company this mix of activity offers significant opportunities for revenue growth with a focus on service productivity across a range of locations with no desired loss of productivity.

The Company has reported revenue growth in 2022 on a year-on-year basis of 33% (£8.3m). This follows a similar percentage growth level for 2021 (£6.1m). In addition, the Group is pleased to report for 2022 EBITDA of £0.2m (FY21 -£0.2m) reflecting operating levels now with a critical core that facilitates positive earnings whilst continuing to invest strongly in future growth. The business has developed a core customer base comprising leading global tier 1 solution integrators that are positioned to secure significant future revenue growth.

As part of the A&O Group, the Company has also continued to invest strongly on the supply side of its business by investing in its internal systems, employee workforce and its alliance capability by utilising key partners under the A&O umbrella. This mix of resources controlled on a single system platform allows the Company to offer strong productivity and high service levels. This business model can be replicated across multiple jurisdictions allowing the Company, directly or on behalf of the Group, to offer global solution integrators a consistent service level under a single contract and thus facilitate strong international growth. This capability for a step change in Company revenue requires a significant investment in securing required resources and transitioning new contracts across to the Company. The overall investment in the short term has clearly had a significant impact on Company profitability and cash flow during 2021 and 2022. However, in the medium term 2023 – 2025, the Director's believe this investment will generate increased revenue and cash flow plus provide greater synergies and market opportunities as the Company achieves critical scale in various targeted international markets.

The Board is pleased with the Company's achievements and expect, based on its three-year planning, the Company to move from investment phase during 2021 and 2022 into sufficient scale in 2023 onwards where the business is expected to generate significant profits and free cash flow.

2023 review

In 2023 the Company is on course for continued revenue growth plus further strengthening of its capability for profitability and cash generation. Closer involvement with key Solution integrator's is expected to re-enforce new business growth by including new territories plus consolidating activity in core countries.

Principal risks and uncertainties

The Board is responsible for setting the Company's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Company's principle risks throughout the year as part of its normal agenda, adopting an integrated approach to risk management by regularly discussing our principal risks.

As the impact of Covid-19 and Brexit diminish the Board is conscious of risk factors from the international energy crisis, level of inflation and exchange rate volatility. These issues are monitored with flexibility of resourcing and contract management is considered key to the Company.

A&O IT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

The Board are of the opinion that key financial metrics are:

	2022	2021
	£	£
Revenue	£32.9m	£24.6m
Revenue growth	33%	33%
EBITDA	£0.2m	£0.2m

In seeking to achieve the business plan, the Board reviews a range of non-financial indicators, particularly service metrics against SLAs (Service Level Agreements) and productivity targets.

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

.....
R R Moore
Director

Date: 30 June 2023

A&O IT SERVICES 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

The directors who served during the year were:

R R Moore
R F Ridgwell

Directors' responsibilities statement

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £227,846 (2021 - loss £609,133).

Matters covered in the Strategic Report

The Company has chosen in accordance with Section 414(11) of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 to set out within the Group's Strategic Report the Company's Report Information Required by Schedule of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. This information that would have been included in the business review and details of the principal risks and uncertainties.

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.

A&O IT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

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

As a result of the support enjoyed from the wider A&O IT Group, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements with no material uncertainty.

Auditors

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

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

.....
R R Moore

Director

Date: 30 June 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A&O IT SERVICES LIMITED

Opinion

We have audited the financial statements of A&O IT Services Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A&O IT SERVICES LIMITED
(CONTINUED)**

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A&O IT SERVICES LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

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

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including:

- The Companies Act 2006;
- Financial Reporting Standard 102;
- UK employment legislation
- UK health and safety legislation; and
- General Data Protection Regulations

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries to management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The assessment did not identify any issues in this area.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgments made by management in its significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Posting of journals to the accounting software which are of a non-routine nature in terms of timing and amount;
- Timing of revenue recognition; and
- The use of management override of controls to manipulate results, or to cause the Company to enter into transactions not in their best interests.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A&O IT SERVICES LIMITED
(CONTINUED)

Use of our report

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

Tom Woods FCA (Senior Statutory Auditor)

for and on behalf of

Menzies LLP

Chartered Accountants

Statutory Auditor

1st Floor

Midas House

62 Goldsworth Road

Woking

Surrey

GU21 6LQ

30 June 2023

A&O IT SERVICES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	Restated 2021 £
Turnover	4	32,916,603	24,621,174
Cost of sales		<u>(32,315,408)</u>	<u>(23,666,515)</u>
Gross profit		601,195	954,659
Administrative expenses		<u>(675,375)</u>	<u>(1,485,085)</u>
Operating loss	5	(74,180)	(530,426)
Interest payable and expenses	8	<u>(142,443)</u>	<u>(64,268)</u>
Loss before tax		(216,623)	(594,694)
Tax on loss	9	<u>(11,223)</u>	<u>(14,439)</u>
Loss after tax		<u>(227,846)</u>	<u>(609,133)</u>
Retained earnings at the beginning of the year		<u>1,112,936</u>	<u>1,722,069</u>
		<u>1,112,936</u>	<u>1,722,069</u>
Loss for the year		<u>(227,846)</u>	<u>(609,133)</u>
Retained earnings at the end of the year		<u>885,090</u>	<u>1,112,936</u>

The notes on pages 12 to 27 form part of these financial statements.

A&O IT SERVICES LIMITED

REGISTERED NUMBER:08018207

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	942,154	839,460
Tangible assets	12	150,297	92,456
Fixed asset investments	13	6,226	6,226
		<u>1,098,677</u>	<u>938,142</u>
Current assets			
Debtors: amounts falling due within one year	14	31,449,914	22,870,178
Bank and cash balances		107,712	34,629
		<u>31,557,626</u>	<u>22,904,807</u>
Creditors: amounts falling due within one year	15	(31,613,620)	(22,583,643)
Net current (liabilities)/assets		<u>(55,994)</u>	<u>321,164</u>
Total assets less current liabilities		<u>1,042,683</u>	<u>1,259,306</u>
Provisions for liabilities			
Deferred tax	16	(157,592)	(146,369)
		<u>(157,592)</u>	<u>(146,369)</u>
Net assets		<u><u>885,091</u></u>	<u><u>1,112,937</u></u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	885,090	1,112,936
		<u><u>885,091</u></u>	<u><u>1,112,937</u></u>

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

.....
R R Moore

Director

Date: 30 June 2023

The notes on pages 12 to 27 form part of these financial statements.

A&O IT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	1	1,722,069	1,722,070
Comprehensive income for the year			
Loss for the year	-	(609,133)	(609,133)
	<hr/>	<hr/>	<hr/>
At 1 January 2022	1	1,112,936	1,112,937
Comprehensive income for the year			
Loss for the year	-	(227,846)	(227,846)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1	885,090	885,091

The notes on pages 12 to 27 form part of these financial statements.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

A&O IT Services Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office and principal place of business can be found on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The 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);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of A&O IT Group PLC as at 31 December 2022 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Exemption from preparing consolidated financial statements

The Company is 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.

2.4 Going concern

The Company, as part of the A&O IT Group, has secured significant revenue growth during the second half of 2021 and into 2022. This growth has required additional costs to be incurred as additional resources have been recruited and new business transitioned into the Group. During 2022 the Company and A&O IT Group has moved into a phase of continuing to invest but also to generate positive EBITDA returns. The Company and A&O IT Group is expected to maintain this balance with strong growth reflected within its 3-year plan 2023 – 2025.

As a result of the actions described above and the support enjoyed from the wider A&O IT Group the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Revenue

Revenue arises from the provision of information technology services including IT managed services, IT security services, IT engineering services and IT project services. Revenue is recognised once the service has been provided.

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.

2.6 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 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 Income and Retained Earnings over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

Amortisation is provided on the following bases:

Branding and Website	-	33 %	straight line basis
Software development	-	33 %	straight line basis
Goodwill	-	25 %	straight line basis

2.7 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.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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:

Short-term leasehold property	- on a straight line basis over term of the lease
Plant and machinery	- on a straight line basis over 3 years
Motor vehicles	- on a straight line basis over 3 years
Fixtures and fittings	- on a straight line basis over 3 years
Office equipment	- on a straight line basis over 3 years

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.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.9 Investments in Associates

Associates are held at cost less impairment.

2.10 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 non-puttable ordinary shares.

2.11 Invoice discounting

Amounts due in respect to invoice discounting are disclosed separately as short term liabilities. The Company can use the facility to draw down 90% of the value of outstanding sales invoices excluding VAT. The discounting margin is 2%.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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 Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.13 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.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 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 reporting 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.

2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.16 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 reporting 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.

2.17 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.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

In preparing these financial statements, the directors have had to make the following judgments in applying the above accounting policies that have had the most significant effect on the amounts recognised in the financial statements:

Judgments:

a) Recoverability of intercompany balances

The directors have had to determine the recoverability of inter-company and related company balances. Factors taken into consideration in reaching such decisions include the expected future financial performance of the respective companies.

b) Capitalisation of development expenditure

The directors use their judgment to ascertain the element of development expenditure that enhances the intangible fixed assets and the element of expenditure that relates to maintaining the asset and therefore should be expensed to the Statement of Comprehensive Income. When making the assessment the directors review the nature of the expenditure and apportion the invoice between the intangible fixed assets and administrative expenses accordingly.

4. Turnover

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

	2022 £	2021 £
IT managed services	31,623,610	23,195,068
Consultancy services	1,292,993	1,426,106
	<u>32,916,603</u>	<u>24,621,174</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	15,552,306	15,168,688
Rest of Europe	15,300,318	7,160,521
Rest of the World	2,063,979	2,291,965
	<u>32,916,603</u>	<u>24,621,174</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. Operating loss

The operating loss is stated after charging:

	2022	2021
	£	£
Depreciation of tangible fixed assets	67,014	56,367
Amortisation of intangible fixed assets, including goodwill	214,668	247,107
Exchange differences	301,469	6,524
Other operating lease rentals	<u>53,075</u>	<u>327,305</u>

6. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022	2021
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	20,500	33,575

The above audit fee for 2021 includes the audit fee payable to the Company's auditors in connection with the financial statement audit of the whole A&O IT Group PLC group. The 2021 audit fee was not split by each company therefore it is not possible to provide a comparable comparative.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employees

Staff costs were as follows:

	2022 £	Restated 2021 £
Wages and salaries	417,207	406,114
Social security costs	47,979	53,272
Cost of defined contribution scheme	19,592	13,048
	<u>484,778</u>	<u>472,434</u>

The directors have been remunerated for their services in other group companies, Parkshore Limited and A&O Shared Solutions Limited. The directors provide services to all of the group companies and therefore it is uneconomical to separately split out the time spent on each company.

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

	2022 No.	2021 No.
Employees	7	10
Directors	2	2
	<u>9</u>	<u>12</u>

8. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	142,443	64,268
	<u>142,443</u>	<u>64,268</u>

9. Taxation

	2022 £	2021 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	11,223	14,439
Total deferred tax	<u>11,223</u>	<u>14,439</u>
Taxation on profit on ordinary activities	<u>11,223</u>	<u>14,439</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation (continued)

Factors affecting tax charge for the year

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

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(216,623)</u>	<u>(594,694)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(41,158)	(112,992)
Effects of:		
Non-tax deductible amortisation of intangibles and impairment	42,097	46,950
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,733	(42,049)
Capital allowances for year in excess of depreciation	1,413	6,593
Utilisation of tax losses	-	(3,005)
Group relief	-	773
Deferred tax adjustment	7,138	118,169
Total tax charge for the year	<u>11,223</u>	<u>14,439</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. R&D expense

During the year the Company expensed £154,571 (2021: £96,734) of research expenditure.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. Intangible assets

	Branding and Website £	Computer software £	Goodwill £	Total £
Cost				
At 1 January 2022	207,422	1,451,017	230,688	1,889,127
Additions	-	317,362	-	317,362
At 31 December 2022	<u>207,422</u>	<u>1,768,379</u>	<u>230,688</u>	<u>2,206,489</u>
Amortisation				
At 1 January 2022	164,740	685,570	199,357	1,049,667
Charge for the year on owned assets	24,310	159,047	31,311	214,668
At 31 December 2022	<u>189,050</u>	<u>844,617</u>	<u>230,668</u>	<u>1,264,335</u>
Net book value				
At 31 December 2022	<u>18,372</u>	<u>923,762</u>	<u>20</u>	<u>942,154</u>
<i>At 31 December 2021</i>	<u>42,682</u>	<u>765,447</u>	<u>31,331</u>	<u>839,460</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Office equipment
	£	£	£	£	£
Cost or valuation					
At 1 January 2022	26,218	53,675	14,083	28,916	202,642
Additions	4,628	64,051	-	9,069	47,107
Disposals	-	(6,500)	-	-	-
At 31 December 2022	<u>30,846</u>	<u>111,226</u>	<u>14,083</u>	<u>37,985</u>	<u>249,749</u>
Depreciation					
At 1 January 2022	24,543	27,498	13,208	28,153	139,676
Charge for the year on owned assets	2,072	21,140	875	3,716	39,211
Disposals	-	(6,500)	-	-	-
At 31 December 2022	<u>26,615</u>	<u>42,138</u>	<u>14,083</u>	<u>31,869</u>	<u>178,887</u>
Net book value					
At 31 December 2022	<u>4,231</u>	<u>69,088</u>	<u>-</u>	<u>6,116</u>	<u>70,862</u>
<i>At 31 December 2021</i>	<u>1,675</u>	<u>26,177</u>	<u>875</u>	<u>763</u>	<u>62,966</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 January 2022	325,534
Additions	124,855
Disposals	(6,500)
At 31 December 2022	<u>443,889</u>
Depreciation	
At 1 January 2022	233,078
Charge for the year on owned assets	67,014
Disposals	(6,500)
At 31 December 2022	<u>293,592</u>
Net book value	
At 31 December 2022	<u>150,297</u>
<i>At 31 December 2021</i>	<u>92,456</u>

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Short leasehold	<u>4,231</u>	<u>1,675</u>
	<u>4,231</u>	<u>1,675</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Fixed asset investments

	Investments in associates £
Cost or valuation	
At 1 January 2022	6,226
At 31 December 2022	<u>6,226</u>

Participating interests

The company's investment at the balance sheet date is a 25% holding of A&O IT Services SARL. The registered office address is A&O IT Services, 14 Bis Rue DARU, 75008 Paris 8, France.

14. Debtors

	2022 £	2021 £
Trade debtors	6,887,055	6,060,562
Amounts owed by group undertakings	20,954,716	13,972,047
Other debtors	-	221,850
Prepayments and accrued income	3,608,143	2,615,719
	<u>31,449,914</u>	<u>22,870,178</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank overdrafts	-	590,019
Invoice discounting facility	5,550,728	4,833,747
Trade creditors	1,363,134	1,595,473
Amounts owed to group undertakings	22,227,146	13,622,931
Other taxation and social security	93,079	-
Other creditors	29,942	55,741
Accruals and deferred income	2,349,591	1,885,732
	<u>31,613,620</u>	<u>22,583,643</u>

The security for the bank facilities is in the form of a cross guarantee and debenture between Parkshore Limited, A&O IT Services Limited, A&O Corsaire Limited, Fieldview Systems Limited, A&O Shared Solutions Limited, and A&O IT Group Plc.

A fixed charge and floating charge is present over all assets.

16. Deferred taxation

	2022
	£
At beginning of year	(146,369)
Charged to profit or loss	(11,223)
At end of year	<u>(157,592)</u>

The provision for deferred taxation is made up as follows:

	2022	2021
	£	£
Accelerated capital allowances	(157,592)	(146,369)
	<u>(157,592)</u>	<u>(146,369)</u>

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
1 (2021 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

Each ordinary share carries voting rights and there are no restrictions on the distributions of dividends.

18. Reserves

Profit and loss account

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

19. Prior year adjustment

The 2021 comparatives have been restated as the temporary staff costs of £1,683,086 have been reclassified from administrative expenses to costs of sales. The adjustment does not have any effect on profit for the year ended 31 December 2021, nor on retained earnings as at 1 January 2022.

20. 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	2021
	£	£
Not later than 1 year	<u>-</u>	<u>36,061</u>
	<u>-</u>	<u>36,061</u>

21. Related party transactions

The Company is 100% owned within a group which prepares publicly available consolidated accounts and therefore is exempt from disclosing transactions with other wholly owned group companies under the Financial Reporting Standard 102. The consolidated accounts of the parent company and its group, A&O IT Group PLC, may be obtained from Companies House.

During the year costs of £4,742,068 (2021: £3,660,875) were incurred from an associate company with a balance included within debtors due within one year of £624,056 (2021: creditors within one year of £434,600) at 31 December 2022.

The Company leases premises owned by a pension scheme, whose trustees and beneficiaries include a director and paid rent of £25,500 (2021: £102,000) during the year.

A&O IT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. Controlling party

At the year end, the ultimate parent undertaking was A&O IT Group PLC. Both companies are incorporated in England & Wales. The only consolidated accounts prepared by the group are by A&O IT Group PLC, copies of which may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party throughout the year was R R Moore, by virtue of his shareholding in A&O IT Group PLC.

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