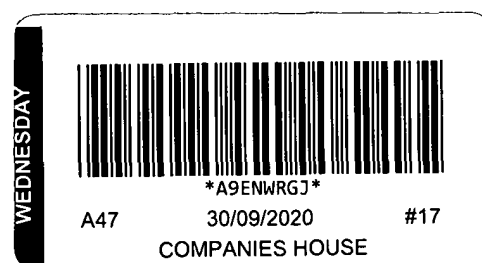


Registered number: 07019261

MANAGED247 LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



MANAGED247 LTD

COMPANY INFORMATION

Directors	Mr S Boardman Mr J M Pepper Mr A T Whitford
Registered number	07019261
Registered office	Technology House 151 Silbury Boulevard Milton Keynes MK9 1LH
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

MANAGED247 LTD

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MANAGED247 LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

Managed247, trading under the name of 'Managed' is a highly successful and innovative provider of IT services, outsourced service desk facilities and specialist IT consultancy. We are extremely proud to provide a unique and bespoke customer service offering which operates 24 hours a day, 365 days a year, and our services are fully staffed from within the UK. Managed is wholly committed to delivering market leading and continuous best-in-class customer satisfaction.

Business review

The performance of the Company during 2019 has produced encouraging results as we follow our strategic plan. Managed continue to focus energies on expanding its client base which utilise our mature 24x7 UK based IT service desk and monitoring services. To further demonstrate the effect of the plan, a number of Mid-Market and blue-chip customers were won during 2019 typically onto three-year contracts, with the true impact of these wins held over until 2020 and beyond, not recognised within the 2019 results.

The growth in external services highlights the focus on larger mid-market companies and the recurring revenues around these. A doubling of growth (123%) highlights the execution of our sales and marketing strategies. This is at the planned expense of traditional lower margin, more competitive (and less consistent) hardware sales.

To support these customers in the future, we continue to invest in our revolutionary automation software. This will replace our outsourced monitoring software during 2021.

Overall, despite the static reported revenue line, the management team are pleased to report a significant growth in ARR from £3.81m in 2018 to £4.66m in 2019 and EBITDA from £1,397,705 to £1,609,705; this being demonstrable proof that our revised strategies are executing as planned.

Principal risks and uncertainties

The Directors undertake a process of identifying and evaluating risk acceptance and risk management through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and both the Board and the finance department take on an important oversight role in this regard.

The Company's principal credit risk relates to trade receivables. This is managed through rigorous initial client vetting and strong management of its trade receivables ledger.

The Company manages, and mitigates, liquidity risk by carefully monitoring cash generation and expenditure. The cash flow forecasts are updated regularly to ensure the availability of sufficient funds to meet all financial commitments.

The principal operations risk is presented third party outages or failures in their product/service delivery arising through fluctuations in the timing and frequency of such services. The Company carefully manages its relationship with key suppliers to mitigate these risks.

Financial key performance indicators

	2019	2018
Turnover	£6,790,272	£6,818,802
Gross profit	£4,371,997	£4,255,434
Gross profit %	64%	62%
EBITA	£1,609,705	£1,397,705

MANAGED247 LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Other key performance indicators

	2019	2018
Headcount	71	66
Annual Recurring Revenues	£4,664,352	£3,810,760
(Value of contracted recurring revenue normalised to a one year period)		

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



.....
Mr J M Pepper
Director

Date: 18th September 2020

MANAGED247 LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Principal activity

The principal activity of the Company was that of outsourced service desk facilities and specialist IT consultancy.

Directors

The Directors who served during the year were:

Mr S Boardman
Mr J M Pepper
Mr A T Whitford

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 profit for the year, after taxation, amounted to £1,179,520 (2018 - £1,155,433).

No dividends were paid in the year.

Future developments

The Company will actively seek to optimise the customer service experience by continuing to invest in its workforce (through training and career development), operational software and processes and its Predictably monitoring tool.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Since the year end, there has been the COVID-19 pandemic in which there has been a significant impact on the worldwide economy. Management is of the opinion that this event may impact supply chain, pricing and availability of products. However, management does not perceive any specific risk on the business performance of the company in the current financial year as of now, but this will be monitored carefully in the year to come.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
Mr J M Pepper
Director

Date: 18th September 2020

Technology House
151 Silbury Boulevard
Milton Keynes
MK9 1LH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANAGED247 LTD

Opinion

We have audited the financial statements of Managed247 LTD (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANAGED247 LTD (CONTINUED)

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 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 MANAGED247 LTD (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.

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



Simon Knibbs MA FCA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Moorgate House

201 Silbury Boulevard

Milton Keynes

Buckinghamshire

MK9 1LZ

Date: 23 September 2020

MANAGED247 LTD

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	As restated 2018 £
Turnover	4	6,790,272	6,818,802
Cost of sales		(2,418,275)	(2,563,368)
Gross profit		4,371,997	4,255,434
Administrative expenses		(2,924,438)	(3,028,761)
Exceptional administrative expenses	13	(125,089)	(108,453)
Operating profit		1,322,470	1,118,220
Interest receivable and similar income	9	130	260
Interest payable and similar expenses	10	(38,841)	(29,878)
Profit before tax		1,283,759	1,088,602
Tax on profit	11	(104,239)	(51,825)
Profit after tax		1,179,520	1,036,777
Retained earnings			
- as previously stated		1,667,075	850,142
- correction of a prior period error		(340,611)	(221,955)
At the beginning of the year as restated		1,326,464	628,187
Profit for the year		1,179,520	1,036,777
Dividends declared and paid	12	-	(338,500)
Retained earnings at the end of the year		2,505,984	1,326,464

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

The notes on pages 14 to 32 form part of these financial statements.

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 £	2019 £	As restated 2018 £	As restated 2018 £
Fixed assets					
Intangible assets	14		3,772,361		2,657,807
Tangible assets	15		341,555		487,644
			<u>4,113,916</u>		<u>3,145,451</u>
Current assets					
Stocks	16	27,163		252,820	
Debtors	17	2,618,355		3,121,185	
Cash at bank and in hand	18	366,570		414,601	
		<u>3,012,088</u>		<u>3,788,606</u>	
Creditors: amounts falling due within one year	19	(3,494,287)		(5,172,009)	
Net current liabilities			<u>(482,199)</u>		<u>(1,383,403)</u>
Total assets less current liabilities			<u>3,631,717</u>		<u>1,762,048</u>
Creditors: amounts falling due after more than one year	20		(850,780)		(115,649)
Provisions for liabilities					
Deferred tax		(273,953)		(143,935)	
Other provisions	24	-		(175,000)	
			<u>(273,953)</u>		<u>(318,935)</u>
Net assets			<u>2,506,984</u>		<u>1,327,464</u>
Capital and reserves					
Called up share capital	25		1,000		1,000
Profit and loss account	26		2,505,984		1,326,464
			<u>2,506,984</u>		<u>1,327,464</u>

MANAGED247 LTD
REGISTERED NUMBER: 07019261

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

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



.....
Mr J M Pepper
Director

Date: 18th September 2020

The notes on pages 14 to 32 form part of these financial statements.

MANAGED247 LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,179,520	1,036,777
Adjustments for:		
Depreciation of tangible assets	162,147	171,032
Profit on disposal of tangible assets	-	(80)
Interest paid	38,841	29,878
Interest received	(130)	(260)
Taxation charge	104,239	51,825
Decrease/(increase) in stocks	225,657	(161,961)
Decrease/(increase) in debtors	428,624	(1,280,859)
(Decrease)/increase in creditors	(1,230,254)	1,137,988
(Decrease)/increase in provisions	(175,000)	175,000
Corporation tax received	74,821	338,548
Net cash generated from operating activities	808,465	1,497,888
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,114,554)	(1,168,622)
Purchase of tangible fixed assets	(16,058)	(31,994)
Sale of tangible fixed assets	-	4,014
Interest received	130	260
HP interest paid	(38,841)	(27,060)
Net cash from investing activities	(1,169,323)	(1,223,402)
Cash flows from financing activities		
New secured loans	500,000	-
Repayment of loans	(77,429)	(17,196)
Repayment of finance leases	(109,744)	(117,960)
Dividends paid	-	(338,500)
Interest paid	-	(2,818)
Net cash used in financing activities	312,827	(476,474)
Net decrease in cash and cash equivalents	(48,031)	(201,988)
Cash and cash equivalents at beginning of year	414,601	616,589
Cash and cash equivalents at the end of year	366,570	414,601

MANAGED247 LTD

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	366,570	414,601
	<u>366,570</u>	<u>414,601</u>

The notes on pages 14 to 32 form part of these financial statements.

MANAGED247 LTD

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	414,601	(48,031)	366,570
Debt due after 1 year	(22,392)	(261,636)	(284,028)
Debt due within 1 year	(20,815)	(160,935)	(181,750)
Finance leases	(199,836)	109,595	(90,241)
	<u>171,558</u>	<u>(361,007)</u>	<u>(189,449)</u>

The notes on pages 14 to 32 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Managed247 Ltd is a private company limited by shares, incorporated in England and Wales.

The registered office is Technology House, 151 Silbury Boulevard, Milton Keynes, MK9 1LH. The Company trades from this address but also from Unit 9, Beaufort Court, Roebuck Way, Knowlhill, Milton Keynes, MK5 8HL.

These accounts are rounded to the nearest £1.

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:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.2 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 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.

2.3 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.

2.4 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 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:

Fixtures and fittings	- 2-5 years
Office equipment	- 2-5 years
Computer equipment	- 15 years
Leasehold property	- 10 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 the Statement of Income and Retained Earnings.

2.5 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

2.6 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.

2.7 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

2.9 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 and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 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 the Statement of Income and Retained Earnings 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 the Statement of Income and Retained Earnings within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings 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.

2.13 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.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 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 the Statement of Income and Retained Earnings 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.

2.16 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

2.18 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 the Statement of Income and Retained Earnings 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.21 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgments in applying accounting policies

i) There are no judgments (apart from those involving estimates) that have had a significant effect on amounts recognised in the Financial Statements.

b) Key accounting estimates and assumptions

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 the most significant potential impact upon the carrying values of assets and liabilities within the next financial year are as follows:

i) Research and development intangible asset

The criteria for research and development expenditure to qualify as an intangible asset has been set out within the accounting policies. The net book value of the intangible asset as at 31 December 2019 was £3,772,361. This asset has not yet been amortised as it has not yet been brought into use, however no impairment has been deemed necessary as the asset is fully recoverable.

ii) Useful economic lives of tangible fixed assets

The useful economic lives used by the Company in respect of tangible fixed assets are set out in the accounting policies. These estimates are the best estimate based on past experience and expected performance and are regularly reviewed to ensure they remain appropriate. The net book value of tangible fixed assets as at 31 December 2019 was £341,555 after a depreciation charge in the year of £162,147.

4. Turnover

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

	2019 £	2018 £
Sales - Service desk support	1,960,442	1,857,040
Sales - Monitoring	262,340	222,859
Sales - External services	2,250,409	1,010,959
Sales - Project delivery	2,317,081	3,727,944
	<u>6,790,272</u>	<u>6,818,802</u>

All turnover arose within the United Kingdom.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	705	2,736
Other operating lease rentals	<u>434,405</u>	<u>314,638</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>12,000</u>	<u>17,250</u>
Fees payable to the Company's auditor in respect of:		
All other services	<u>8,756</u>	<u>4,760</u>
	<u>8,756</u>	<u>4,760</u>

7. Employees

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

	2019 £	2018 £
Wages and salaries	2,503,895	2,409,457
Social security costs	256,829	196,170
Cost of defined contribution scheme	49,105	37,753
	<u>2,809,829</u>	<u>2,643,380</u>

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

	2019 No.	2018 No.
Employees	<u>71</u>	<u>66</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>204,019</u>	<u>296,814</u>

The highest paid Director received remuneration of £171,598 (2018 - £90,000).

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

9. Interest receivable

	2019 £	2018 £
Other interest receivable	<u>130</u>	<u>260</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	-	2,818
Finance leases and hire purchase contracts	38,841	27,060
	<u>38,841</u>	<u>29,878</u>

11. Taxation

	2019 £	As restated 2018 £
Corporation tax		
Current tax on profits for the year	(25,164)	(75,114)
Adjustments in respect of previous periods	(615)	-
Total current tax	<u>(25,779)</u>	<u>(75,114)</u>
Deferred tax		
Origination and reversal of timing differences	130,018	126,939
Taxation on profit on ordinary activities	<u>104,239</u>	<u>51,825</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The tax assessed for the year is the same as (2018 - the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,283,759</u>	<u>1,088,602</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	243,914	206,834
Effects of:		
Expenses not deductible for tax purposes	(298)	9,130
Depreciation in excess of capital allowances/(Capital allowances for year in excess of depreciation)	13,580	(8,975)
Adjustments to tax charge in respect of prior periods	(615)	-
Adjustment in research and development tax credit leading to a decrease in the tax charge	(390,738)	(318,534)
Movement in S455 tax	108,378	36,431
Movement in deferred tax	130,018	126,939
Total tax charge for the year	<u>104,239</u>	<u>51,825</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2019 £	2018 £
Dividends	<u>-</u>	<u>338,500</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Exceptional items

	2019 £	2018 £
Exceptional items	<u>125,089</u>	<u>108,453</u>

The exceptional items related to both redundancy costs and professional fees.

14. Intangible assets

	Development expenditure £
Cost	
At 1 January 2019	2,657,807
Additions	1,114,554
At 31 December 2019	<u>3,772,361</u>
Net book value	
At 31 December 2019	<u>3,772,361</u>
At 31 December 2018	<u>2,657,807</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Leasehold property £	Total £
Cost or valuation					
At 1 January 2019	181,016	351,056	67,664	384,398	984,134
Additions	1,780	14,278	-	-	16,058
Disposals	-	(969)	-	-	(969)
At 31 December 2019	182,796	364,365	67,664	384,398	999,223
Depreciation					
At 1 January 2019	115,906	239,474	20,325	120,785	496,490
Charge for the year on owned assets	1,501	82,137	4,507	-	88,145
Charge for the year on financed assets	35,562	-	-	38,440	74,002
Disposals	-	(969)	-	-	(969)
At 31 December 2019	152,969	320,642	24,832	159,225	657,668
Net book value					
At 31 December 2019	29,827	43,723	42,832	225,173	341,555
At 31 December 2018	65,110	111,582	47,339	263,613	487,644

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Leasehold property	225,173	263,613
Fixtures and fittings	27,696	63,258
	<u>252,869</u>	<u>326,871</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>27,163</u>	<u>252,820</u>

17. Debtors

	2019 £	2018 £
Due after more than one year		
Trade debtors	34,515	34,515
Due within one year		
Trade debtors	194,528	1,233,700
Other debtors	1,755,134	1,570,529
Prepayments and accrued income	634,178	282,441
	<u>2,618,355</u>	<u>3,121,185</u>

18. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>366,570</u>	<u>414,601</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	181,750	20,815
Trade creditors	712,898	1,161,940
Corporation tax	83,214	-
Other taxation and social security	359,681	486,659
Obligations under finance lease and hire purchase contracts	90,241	106,579
Other creditors	892,510	1,583,462
Accruals and deferred income	1,173,993	1,812,554
	<u>3,494,287</u>	<u>5,172,009</u>

The bank loan is secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant & machinery.

Obligations under finance lease and hire purchase contracts are secured over the assets to which they relate.

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

	2019 £	2018 £
Bank loans	284,028	22,392
Net obligations under finance leases and hire purchase contracts	-	93,257
Accruals and deferred income	566,752	-
	<u>850,780</u>	<u>115,649</u>

The bank loan is secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant & machinery.

Obligations under finance lease and hire purchase contracts are secured over the assets to which they relate.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	181,750	20,815
Amounts falling due 1-2 years		
Bank loans	284,028	22,392
	<u>465,778</u>	<u>43,207</u>

22. Financial instruments

All financial instruments are held at amortised cost.

23. Deferred taxation

	2019 £	2018 £
At beginning of year	(143,935)	(16,996)
Charged to profit or loss	(130,018)	(126,939)
At end of year	<u>(273,953)</u>	<u>(143,935)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(39,437)	(47,488)
Tax losses carried forward	271,447	242,873
Timing differences on research and development allowances	(506,772)	(340,611)
Timing differences	809	1,291
	<u>(273,953)</u>	<u>(143,935)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. Provisions

	Other provision £
At 1 January 2019	175,000
Charged to profit or loss	(175,000)
At 31 December 2019	-

25. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1,000	1,000

26. Reserves**Profit and loss account**

The profit and loss reserve includes all current and prior period retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

27. Share based payments

On 28 September 2015 the company granted an approved Enterprise Management Incentive to certain senior employees. The terms of the incentive grant an option to the employee to acquire ordinary A shares amounting to 5% of the total share capital of the company at the date of exercise. The option to acquire these shares is exercisable only in the event of a significant reorganisation of the company, at any time between the date the option was granted and 28 September 2025. There are no performance conditions attached to the options. Further options were granted on 9 March 2018 which are exercisable up to 9 March 2028.

On 28 September 2015 the company granted an approved Enterprise Management Incentive to certain senior employees. The terms of the incentive grant an option to the employee to acquire ordinary B shares amounting to 3% of the total share capital of the company at the date of exercise. The option to acquire these shares is exercisable only in the event of a significant reorganisation of the company, at any time between the date the option was granted and 28 September 2025. There are no performance conditions attached to the options. Further options were granted on 10 January 2017 which are exercisable up to 10 January 2027, and on 9 March 2018 which are exercisable up to 9 March 2028.

On 28 September 2015 the company granted an approved Enterprise Management Incentive to certain senior employees. The terms of the incentive grant an option to the employee to acquire ordinary C shares amounting to 2% of the total share capital of the company at the date of exercise. The option to acquire these shares is exercisable only in the event of a significant reorganisation of the company, at any time between the date the option was granted and 28 September 2025. There are no performance conditions attached to the options. Further options were granted on 10 January 2017 which are exercisable up to 10 January 2027, and on 9 March 2018 which are exercisable up to 9 March 2028.

28. Prior year adjustment

During the year, it was identified that a deferred tax liability should have been accounted since 2017 in respect of the timing difference between Research and Development tax credits received and the amortisation of the intangible asset. The impact of recognising this liability is a deduction in the opening reserves of 2018 of £221,955 and a further reduction in the 2018 profit of £118,656.

29. Pension commitments

The Company contributes to a defined contributions personal pension scheme for certain employees. The pension cost charge for the year was £49,341 (2018: £37,753) and the amount outstanding at the period end was £8,992 (2018: £17,588).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

30. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	369,257	398,296
Later than 1 year and not later than 5 years	471,508	710,054
Later than 5 years	-	68,250
	<u>840,765</u>	<u>1,176,600</u>

Lease payments recognised as an expense during the year were £328,465 (2018: £210,896).

31. Related party transactions

During the year dividends of £Nil (2018:£338,500) were paid to the directors.

During the year, the Company paid £130,000 (2018: £130,000) to Ancora Business Consultancy Limited, a company in which Mr A Whitford is also a Director. There was no outstanding balance at the year end.

32. Directors' advances, credit and guarantees

At the year end there was a loan due to the company from Mr J M Pepper, a Director of the Company, of £1,283,446 (2018: £953,633). Advances in the year totalled £344,789 (2018: £408,768) and repayments totalled £14,976 (2018: £305,671). No interest is charged on this loan.

At the year end there was a loan due to the company from Mr S Boardman, a Director of the Company, of £68,414 (2018: £68,414). Advances in the year totalled £nil (2018: £10,000) and repayments totalled £nil (2018: £1,000). No interest is charged on this loan.

At the year end there was a loan due to the company from Mr A Whitford, a Director of the Company, of £3,657 (2018:£3,657). Advances in the year totalled £nil (2018: £17,000) and repayments totalled £nil (2018: £13,343). No interest is charged on this loan.

33. Post balance sheet events

Since the year end, there has been the COVID-19 pandemic in which there has been a significant impact on the worldwide economy and has affected the Company's business activities. Consideration has been given with the highest priority to meeting customer demands within business essential market sectors and maintaining the ability to effect payments on time to our suppliers.