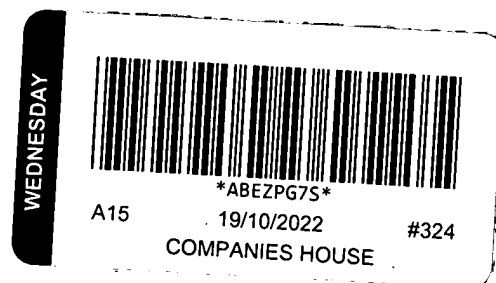


EXPONENTIAL-E LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31 January 2022

Company Registration Number 04499567



Exponential-e Limited

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Exponential-e Limited

Directors, Officers and Advisers

Directors:

L F Wade
M Bavisi
S Acott
C Christou
J Kyrillou
H B Pepperall
S Gray (appointed 1st August 2021)

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Company registration number:

04499567

Exponential-e Limited

Strategic Report

Business review

During this financial year, we have elected to transition the preparation of the Group's financial statements from the framework of UK Generally Accepted Accounting Principles (UK GAAP) FRS 102, to International Financial Reporting Standards (IFRS), and therefore the financial statements for FY 2021/22 are hereby reported under IFRS for the first time. As part of this first-time adoption of IFRS, there is also a restatement of FY 2020/21 figures, as well as a restatement of the brought forward balance sheet at transition. Exponential-e has grown to a size and scale, where the solutions being provided to our customers are becoming increasingly complex, and therefore we elected to adopt IFRS, assessing this to be a more suitable accounting framework, for this stage of the Group's evolution.

During FY 2021/22 Exponential-e acquired Xpertex Limited on the 30th September 2021. Xpertex Limited brings additional security solutions and services to our product portfolio.

The principal activities of the business continue to be the provision of Network, Cloud, Unified Communications & Security managed services, across a large number of private and public sector clients.

Alternative performance measures are used by the Board of Directors to understand and manage performance of the business. These are defined below and have been included as management considers them to be important measures, relevant to all stakeholders, in assessing the historic performance of the business. In addition, the Group uses these metrics in developing its forecasts and strategic plans, to evaluate potential acquisitions, in communication to stakeholders & employees, and in communications with Directors concerning the Group's financial performance.

The key alternative performance measures for the group are set out in the table below:

	Jan-22	Jan-21	YOY
Revenue	184,056,860	170,085,764	8%
Gross Margin % ¹	57.5%	60.6%	
EBITDA ²	81,805,105	84,235,025	-3%
Underlying EBITDA ³	82,995,848	80,979,301	2%
Profit Before Tax	18,708,497	25,761,193	-27%
Sales - First Year Revenue ⁴	80,048,860	57,535,592	39%
Sales - Total Contract Value ⁵	133,627,788	94,278,603	42%
Average Headcount ⁶	715	670	7%
Average Net Promoter Score ⁷	73	69	

Definition of alternative performance measures:

¹ Gross Margin % is defined as Gross Profit / Revenue expressed as a % (both as disclosed in the Consolidated Statement of Comprehensive Income)

² EBITDA is earnings before interest, tax, depreciation & amortisation

³ Underlying EBITDA is earnings before interest, tax, depreciation & amortisation excluding non-recurring costs and adjusting for savings made in FY 2020/21 specifically due to Covid-19 (explained in more detail below)

⁴ Sales - First Year Revenue is the value of new contracts won, measured as the expected revenue relating to the first year of the contract

⁵ Sales - Total Contract Value is the total value of new contracts won

⁶ Average Headcount is the average number of persons employed by the Group during the year (as disclosed in note 5)

⁷ Average Net Promoter Score is a customer satisfaction metric measured as the average of scores received from customers during the year

Combining the results of all Group companies, the directors are pleased to report a strong financial performance for FY 2021/22. Our sales teams secured new business wins totalling £80m of first year revenue with total contract value of £133.6m which is up 39% & 42% respectively, versus FY 2020/21, and supports the continued growth of our contracted revenues. During FY 2021/22 our annual contracted revenues comprised £160m, or 87% of our total revenues for the year. The increasing sales performance

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combined with the acquisition of Xpertex resulted in Revenue growth of 8% to **£184,056,860** (FY 2020/21 £170,085,764).

The Gross margin rate was 57.5% in FY 2021/22, which is down from 60.6% in FY 2020/21, caused by three things; the competitive nature of the technology services markets in which we serve, the inflationary pressure we continue to see across our cost base, and the dilutive impact of consolidating Xpertex Ltd results into the group for the last 4 months of the year.

To assess EBITDA growth, we need to make two adjustments to the reported EBITDA numbers, to arrive at an Underlying EBITDA which reflects the underlying operating performance of the Group. Firstly, we add back the non-recurring costs in the income statement, detailed in note 4, and secondly we need to add back notional overhead costs into FY 2020/21 to reflect the one-off savings achieved in the year due to actions taken relating to the Covid-19 pandemic. The table below sets out the bridge from reported EBITDA to underlying EBITDA:

	Jan-22	Jan-21
EBITDA	81,805,105	84,235,025
Non-recurring costs	1,190,744	767,246
Covid-19 Savings		(4,022,933)
Underlying EBITDA	82,995,849	80,979,338

Underlying EBITDA has grown by 2% in FY 2021/22 to **£82,995,848** (FY 2020/21: £80,979,301). Ideally, we would have liked to have seen Underlying EBITDA grow in line with revenues at 8% in FY 2021/22.

However, due to the slight decline in margin rates, and our decision to invest in new technical capability (adding 7% to our average headcount in the year), these factors compounded to reduce our growth rate to 2%. However, the Underlying EBITDA margin rate is a very healthy 45%.

Whilst Underlying EBITDA saw 2% growth, our Profit Before Tax reduced in FY 2021/22. There are two factors impacting Profit Before Tax. Firstly, the one-off Covid-19 related savings of £4m realised in FY 2020/21, that were not repeated in FY 2021/22. Secondly, the additional investment in capital assets and infrastructure, related to both new customer contract wins and investments into the 5.0 programme, caused depreciation charges to increase year on year.

Our NPS score is important to us, as we value highly the feedback from our customers. The average score was 73 during FY 2021/22 up from 69 in FY 2020/21. This is very positive and validates our strategy of delivering service excellence to our customers.

The Directors are pleased with the overall performance and outcome of the Group, whereby we have managed to sustain relatively strong growth metrics in Revenues & Underlying EBITDA during the financial year; especially when you consider the economic challenges, the investments that have been made, and the strong sales performance which will yield future revenue growth.

Net assets were £33,700,236 in FY 2021/22, up 67% from FY 2020/21, as the profitable performance during the year increased Retained Earnings & working capital.

At period end FY 2021/22, cash balances were £12,782,036, net debt was £20,117,964 ignoring lease liabilities, giving us a net debt leverage of 0.24x. This prudent leverage level, means we are well positioned to invest both organically & inorganically, to further enhance the value of our technology services.

IFRS Transition

The date of transition to IFRS was 1 February 2020. Below are the key drivers of the movement from the previously reported UK GAAP (FRS 102) financials.

In terms of our balance sheet, the IFRS transition negatively impacted our net asset position, due to the deferred recognition of revenues under IFRS 15, compared to FRS 102. Cumulatively this has resulted in a

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£17.2m reduction in retained earnings, arising from the change in revenue recognition. Therefore, whilst net assets have reduced significantly versus FRS 102, on the other hand this provides a stronger recurring contract base going forward, affording us improved visibility of revenue growth going forwards.

As noted below, much of the movement within Profit Before Tax in both FY 2020/21 and FY 2021/22 is caused by the changes arising from revenue recognition. IFRS16 has also had a significant impact on PPE and lease liabilities. IFRS 3 has impacted Goodwill and intangibles, following the Vysion and Xpertex acquisitions. Further details and the reconciliations between the previously reported UK GAAP (FRS 102) numbers to those presented under IFRS are given in note 30.

	Net Assets		
	UKGAAP	IFRS	Movement
Feb-20	14,567,363	249,990	14,317,373
Jan-21	34,545,926	20,185,226	14,360,700
Jan-22	50,902,904	33,700,236	17,202,668
	Revenue		
	UKGAAP	IFRS	Movement
Jan-21	171,782,140	170,085,764	1,696,376
Jan-22	189,718,076	184,056,860	5,661,216
	PBT		
	UKGAAP	IFRS	Movement
Jan-21	27,220,999	25,761,193	1,459,806
Jan-22	24,117,106	18,708,497	5,408,609

Business Performance 2021 - 22

Our continued growth during the year was supported by the strategic acquisition of Xpertex in September 2021 (see below for further details), which combined to deliver our positive group results for FY 2021/22.

During the year, we made significant and substantial contract wins including;

- Leading brand coffee retailer – On 30th June 2021, following more than nine months of negotiations, we won a significant contract from one of the world's leading coffee retailer brands to supply and fit out their 1700 UK stores with a new SD-WAN and LAN/WiFi solution. We competed against 4 of the largest multi-billion dollar revenue vendors to win this contract that we estimate to have a Total Contract Value of approximately £20m.
- NHS-England – Just 12 hours later, on 1st July 2021, following more than a year of negotiations, we won a significant contract from the National Health Service that we estimate to have a Total Contract Value of approximately £20m. This contract is for the provision of managed services.

Strategic acquisition of Xpertex Ltd

When we launched the Exponential-e 5.0 strategy in January 2021, a strategic component part of that investment initiative was the acquisition of a 'Military-Grade' cybersecurity company. The reference to Military-Grade differentiates it from 'Corporate-Grade' cybersecurity, which we have been offering our clients for the past 20 years.

Xpertex Ltd was launched in August 2006 and during its 15 year history has built a great reputation for delivering 'Military-Grade' cybersecurity solutions. Hence, in September 2021, we acquired the Welwyn-based company in order to add weight to our existing cybersecurity portfolio.

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Looking ahead, we could see that the demand for cybersecurity protection and remediation was growing rapidly, and this will ramp up even further if the geo-political environment worsens in the coming years. Next year, we aim to launch our new portfolio of Military-Grade cybersecurity solutions with the expertise and help of Xpertex Ltd.

In our FY 2021/22 accounts, we have included four months of Xpertex Ltd trading figures, with Revenues for the period totalling £3.3m and EBITDA totalling showing £0.4m.

Future Developments

Exponential-e 5.0

In January 2021 we launched Exponential-e 5.0. This constitutes a new 4 year transition programme spanning through to 2025 which will support Exponential-e and its customers in the digital world in terms of the new client services we shall offer and our own 'digital transformation'.

There are 6 separate complementary components to the 5.0 investment strategy consisting of organic and inorganic growth. This will be Exponential-e's largest investment opportunity and commitment. However, we are unequivocal regarding the success and the transformation it will deliver, securing the future for all of our stakeholders. The programme will transform the Group in a multitude of ways to deliver against the exciting digital era that lies ahead of us.

R&D Activities

The Exponential-e Group dedicates time to researching and developing solutions and services, we are committed to continuing future investments across our Network and Cloud business units. To meet the growing demand, our investment within our cybersecurity portfolio is set to increase with the aim to launch our new portfolio of Military-Grade cybersecurity solutions with the expertise and help of Xpertex Ltd.

Principal risks and uncertainties

We launched into the financial year with the ongoing disruption of the Covid pandemic still impacting our business. There is no doubt the World has changed dramatically since the start of the pandemic in early 2020 and we, like many businesses, are in this period of adjustment. Just as the Covid impacts started to subside, we started to see the Geo-political risks emerging towards the end of the financial year, which brought about a new set of challenges for us to manage.

i. Geo-Political & Macroeconomic risks

In the past year, we have seen the geo-political climate changing dramatically with the build-up of Russian forces on the border of Ukraine. This is having clear adverse effects in the UK and European economies, particularly in the areas of energy/food security, supply chain movement of goods and services, and cybersecurity issues. Inflation has started to rise suddenly on a Global scale, and this coupled with the foreign exchange volatility, has brought challenges for us to get certainty of our cost inputs, and in turn to give our customers pricing certainty. We are seeing sizeable knee-jerk price increases from technology vendors, communicated at short notice.

This risk is being mitigated in a number of ways. Firstly, ensuring our pricing is continually refreshed to take into account the most up to date cost inputs. Secondly to reduce the validity period of our quoted prices. Thirdly, to enter forward exchange contracts, to mitigate the foreign exchange risk.

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ii. Supply chains risks

As a Managed Services Provider, we are reliant upon multiple hardware component and software partners, to deliver innovative solutions, according to our customers timelines. As a consequence of the Global challenges for the supply of micro-chip components, many large vendors such as Cisco, Fortinet and Dell have substantially increased their lead times, to 9-12 months.

This has impacted us in a number of ways and we are managing this risk as follows. Firstly, we are advising our customers to place orders for the hardware in advance. Secondly, we are spending a lot more time in procurement, chasing up deliveries, and/or sourcing substitute hardware. Thirdly, we are setting clear customer expectations early in the project, and planning our delivery activities, to ensure the lead times are taken into account.

Finally, we are also exploring new technologies, and for individual customers we are proposing alternative services, which utilise existing assets rather than the need to purchase new hardware.

iii. The Cyber Risk

Since the mid-part of the year, we have seen a small increase in the number of cyber attacks on our customers, namely ransomware attacks. Across the UK, such attacks on Critical National Infrastructure (CNI) and public sector institutions such as the NHS have doubled compared to last year.

In October, Sir Jeremy Fleming, Director General of GCHQ urged people to back up their data, as he also warned of the growing threat from China. "China's rise is a fact of life and it's altering the geopolitics in the region and the world, and so we all need to sit up and pay attention to that," he said. (source: <https://www.telegraph.co.uk/news/2021/10/25/ransomware-cyber-attacks-double-year-reveals-spy-chief/>)

We mitigate the cyber risk to the Exponential-e Group with a multitude of monitoring and defensive solutions supported by our own in-house Cyber Security Operations Centre (CSOC) team. Our CSOC team monitor the network 24x7x365. We have SIEM sensors at key locations, DDOS mitigation systems to protect our gateways, Cortex XDR, Anti-virus and Malware protection on all endpoints, Mobile Device Manage (MDM) on all mobile endpoints and MFA on all systems. The Group also holds a security forum meeting every two weeks, monthly vulnerability scans, an annual cyber security awareness training to all staff and a full annual IT health check performed. Additionally, the core data at the heart of our business, is replicated and distributed geographically.

iv. Staff recruitment risks

As the economy started to return to work, all UK companies have been impacted with what became known as 'the great resignation'. Many people have chosen to change employer or retire. Combined with the impact of many European workers returning to their home countries following BREXIT, every sector of the UK economy began to suffer from severe staff shortages in all areas of their businesses. Competitors looked to head-hunters to entice staff away from companies like Exponential-e and the market for technology-skilled workers, has seen unprecedented levels of wage inflation, due to the skills shortage. The Staff recruitment and retention risks, are weighing heavily against growth and productivity gains.

We continually work hard to mitigate these risks, ensuring our staff are paid competitively, and doing everything we can to make the workplace a fun and engaging environment, taking matters of staff welfare seriously, and supporting staff with their learning and development needs.

Part of this has been entering into harmonisation programmes to ensure all business entities are aligned and also reviewing additional benefits. During this time, the business has focused on wellbeing initiatives and aligned closely with our Employee Assistance Programme.

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Over the last 12 months we have invested in new software for both the Recruitment and the Learning and Development Team. This has assisted in ensuring we can streamline recruitment and find the best talent as well as roll out World Class Learning Programmes.

v. Financial

The Group uses financial instruments including loans and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail below.

The main risks arising from the Group's financial instruments are price risk, currency risk, cash flow interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised as follows. These policies have remained unchanged from previous years.

Price risk

The directors manage price risk by matching the prices of inputs to sales contracts where this is possible through the supply contracts.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising from the purchase of a small number of purchases in foreign currency. This risk relates to < 5% of our total purchases for FY 2021/22, by value. Any losses or gains are recognised as invoices are settled.

We do not have any risk, pertaining to our sales side, as over 99% of sales to customers are denominated in Sterling.

Cash flow interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The bank finance is provided through a combination of overdraft and revolving credit facility whereby the interest is variable based on a combination of SONIA and the Group's net debt ratio for the period of each drawdown. The directors monitor interest rate trends and will consider interest rate management when appropriate.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft and revolving credit facilities of £20m. This facility was extended during the period from a 4 year period to 5 year period ending March 2024.

Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings. The principal credit risk arises, therefore, from its trade debtors.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third-party credit references. Our credit control team, are constantly reviewing the aged debt profile of our customer ledgers, working with our customers and internal teams, to resolve their queries, in order to facilitate payment from our customers. The revenue across our customer base is well distributed, with no single customer contributing more than 2% (2021: 2.2%) of Group revenues.

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Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

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

The Board confirms that, during the year, it has had regard to the matters set out above. Further details as to how the Directors have fulfilled their duties with references to relevant areas within these financial statements, are set out below.

Impact on Principal Decisions:

Transition to IFRS – Exponential-e has reached a size and scale, where the solutions being provided to our customers are becoming increasingly complex, and therefore we elected to adopt IFRS, assessing this to be a more suitable accounting framework under which to report the Group's financial performance.

Acquisition of Xpertex Ltd – In September 2021, Exponential-e acquired Xpertex Limited. The decision to acquire Xpertex was made in order to progress the Group's 5.0 strategy, with the acquisition deemed to provide a significant enhancement to the Group's cybersecurity capability, allowing for the development of an enriched cybersecurity product portfolio.

HR Director Appointment – On 1st August 2021, Sarah Gray was appointed to the Board of Directors in her existing role as Group Director of Human Resources. Sarah brings a wealth of experience to the Board, and her appointment reflects the Group's ongoing commitment and focus on employee engagement and wellbeing.

Risk Management

The Board recognises the importance of identification, evaluation and management of the Group risks. Details of the principal risks and uncertainties of the Group are set out on pages 7-10.

Employees

The Board is committed to the company being a responsible employer and strives to create a working environment where employees are engaged, informed and involved. The company's employment policies and related information is set out on page 13.

Community and the environment

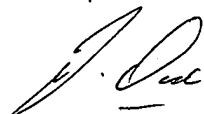
The Board recognises their responsibilities to achieving good environmental practice and making positive contributions to the community, this is demonstrated on page 16/17 by our ISO standards ISO14001:2015 Environmental Management system and ISO50001: 2011 Energy Management system.

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Business conduct and relationships

The Board recognises the importance of a strong culture that considers the best interest of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders including its clients, contractors and suppliers. Its strong relationships with its clients are critical to driving growth and this is demonstrated by our investments and NPS score set out on page 4 and our ISO standards set out on page 16/17.

This report was approved by the Board on 11th October 2022 and signed on its behalf.



Mr L F Wade
CEO

Date 11th October 2022

Exponential-e Limited

Directors' Report

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

Directors

The Directors who served the Group during the year were as follows:

LF Wade
M Bavisi
S Acott
C Christou
J Kyrillou
H B Pepperall
S Gray (Appointed on 1st August 2021)

Dividend

In October 2021 the Board approved and paid a Dividend of £2,212,626.

Items covered in the Strategic Report

The business review on pages 4-7 includes a summary of recent financial performance, principal business activities, future developments and R&D activities, and financial risk management disclosures are included within the Strategic Report on page 9.

Stakeholder engagement

Supplier engagement:

At Exponential-e, we have developed a robust process of managing existing, as well as new, suppliers to mitigate risk within our wider supply chain and ensure compliance with legislation, industry standards and best practices.

Whilst the need to on-board new suppliers may originate from any area of the business, the process of doing so is overseen and carried out centrally within the Procurement department, who apply a comprehensive set of end-to-end checks and balances to ascertain the need for a new supplier to be brought on-board, as well as the inherent risk level carried by the new product or service, which in turn determines the legal agreement framework type to be used, the key risk areas to capture, as well as the level of Legal involvement in the process. All new suppliers who wish to partner with Exponential-e are asked to sign up to our standard terms of purchase.

Tier 1 as well as Tier 2 suppliers are required to participate in Exponential-e's compliance programme, which centres itself around a set of over 200 controls spanning HR security, data protection, financial risk, environmental, social and governance (ESG), business resilience and others. To achieve this, Exponential-e has partnered with Risk Ledger, a third party acting as a community of suppliers and buyers alike, whereby buyers have the ability to evaluate suppliers' compliance with these requirements.

Customer engagement:

We believe that an engaged, highly committed and motivated workforce is an essential part for delivering a world class customer service to our clients. Our teams deliver on this promise, ensuring the levels of

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service to our customers across a wide portfolio of services are the best in class. Our willingness to go the extra mile is testament to our teams' dedication, and rewards us with the reputation we have worked hard to achieve over the past 20 years as 'world class IT enablers' (Quote: BSI November 2017). Hence, we are pleased to see our Net Promoter Score average at 73 during the financial year, this sets us apart in our sector at the pinnacle of customer service leadership.

We are constantly striving to improve our products and services along with our customer support services by continually investing in new services, portals, training and enhancements to existing customer engagement facilities.

Impact on Principal Decisions:

Acquisition of Xpertex Ltd – Customer & Supplier engagement was central to the Group's decision to acquire Xpertex Ltd in 2021, as it positions the Group to engage more widely with key suppliers and expand the Group's portfolio of critical cyber-security services and capabilities available to customers.

Employee information

The Group recognises that the contributions and dedication of its employees is at the heart of its success.

The company has an open policy on disseminating information to employees, and by way of example:

- The monthly sales and operational figures are published on the intranet, which is accessible to all.
- Financial information is made available monthly to managers, who are encouraged to share this information with their team.
- A monthly newsletter is circulated to all employees and customers.
- An annual presentation event is run where the Directors summarise the company's past performance and future plans as well as share the great employee achievements over the past year.
- A monthly pulse survey to encourage engagement across the business.

We run an employee engagement survey each year, then this is followed up by focus groups to discuss the key issues that the survey reveals. The comments made at these group meetings are then fed back to senior management on an anonymous basis and actions agreed.

As the business emerged from Covid-19 lockdowns, employees were engaged to understand preferences on working practices going forwards. Following feedback from employees, a hybrid-working policy was introduced in 2021.

Exponential-a is keen on training its staff, the company uses both internal and external trainers to run these courses and has the following programmes in place:

- An academy where new recruits are identified and put through a full time training programme for 8 weeks. They are mentored throughout this programme and into their new roles within a Sales team, if successful.
- All staff go through an annual review process where their progress is assessed, and at which they can discuss further job specific training.
- Exponential-e sponsors staff who wish to acquire professional qualifications (such as ACCA).
- A training programme focused on delivering an enhanced customer service.
- Exponential-e runs management academy programmes each year, with a handful of managers, being selected to enrol onto the Cranfield MBA programme.

Impact on Principal Decisions:

Transition to IFRS – With a more suitable accounting framework in place under which to report the Group's financial performance going forwards, it is expected that the Group will be well positioned to

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continue to make successful investment decisions that provide growth and opportunities for the Group and its employees alike.

Acquisition of Xpertex Ltd – The continued expansion of the Group with the acquisition of Xpertex, underlines the Group's commitment to growth and will provide employees additional development opportunities through collaboration of the Group's entities.

HR Director Appointment – The importance of the Group's employees in its continued success, was reflected by the appointment of Sarah Gray, Group Director of Human Resources, to the Board of Directors in August 2021.

Disabled persons

The Group operates on an equal opportunities basis regarding employees with disabilities, ensuring that individuals are treated equally and fairly, and that decisions over recruitment, training, promotion & career development are based solely on objective, job-related criteria.

Going Concern

The financial statements report a net asset position of £33,700,236 (2021: £20,185,226).

In considering the going concern assumption, the Directors have reached their conclusion based on assessing future trading forecasts to the end of October 2023 as well as the balance sheet position at the date of signature of the financial statements.

The Group's business activities, its principal risks and uncertainties, together with details of its financial instruments, exposure to credit & liquidity risk, and its approach to financial risk management, are set out in the Strategic Report on pages 4-11. The financial position of the Group and its cash flows are set out in the financial statements below.

The Group has a high degree of certainty on future revenue generation, thanks to a very high proportion of its revenue being derived from long-term contracts across a large number of customers and industries. Having achieved a record sales year in FY 2021/22, the Group expects to see growth in revenue in FY 2022/23 as the pipeline of contracts won are delivered and begin to generate revenue & cash. The FY 2022/23 forecast is therefore for continued growth, supported by this strong pipeline of deliveries and future sales.

In spite of the risks inherent in its market and the wider economy, the directors believe that the Group is well placed to manage its business risks successfully, and the Group is comfortable that it has adequate facilities in place to meet its financial obligations as and when they fall due, with £12.8m cash and a £22.5m undrawn revolving credit facility available as at 31 January 2022.

The Group performs detailed forecasting and extensive scenario analysis, to understand the expected future performance of the business and its resilience to risks.

A sensitivity analysis and reverse stress test has been performed by the Group, assessing a range of key inputs across each of the Groups' entities, resulting in a range of outcomes of financial performance and cashflow for the 12 months following the date of signature of these financial statements.

The sensitivity analysis factors in two main drivers: new business sales measured as 'first year revenue', and the rate of customer cancellations. Having performed a reverse stress test it was determined that the set of conditions required to result in the Group not being able to operate as a going concern are extremely unlikely. As such the directors are confident that the assumptions underlying the Group's forecasts are reasonable and that the Group will be able to operate on a going concern basis.

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Directors' Indemnities

During the year there were no qualifying third-party indemnity provision policies or qualifying pension scheme indemnity provision policies in place.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 and parent company financial statements in accordance with UK-adopted international accounting standards. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Exponential-e Limited

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved have confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

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

Group accreditations and frameworks

We operate the business within a disciplined managerial structure and with process and governance in place that allows the Group to attain and maintain a number of recognised accreditations and places on key frameworks.

ISO 9001:2015 Quality Management Systems:

This is one of the most sought after 'good corporate governance' accreditations. It is recognised globally for providing Quality Assured service to our customers.

ISO 27001 :2013 Information Security Management Systems:

We are accredited to ensure our customers' information is managed with levels of confidentiality, security and integrity.

ISO 20000:2011 Service Management System:

Exponential-e provide world-class IT Service Management to our customers.

ISO 22301:2012 Business Continuity Management System:

This enables us to develop a best practice approach for reducing disruptions when continued operation is vital.

ISO14001:2015- Environmental Management System:

This sets out the criteria for an EMS and to reduce waste management costs and demonstrate commitment to protecting the environment.

ISO50001: 2011- Energy Management System:

The enables an organisation to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy security, energy use and consumption.

ISO CSA STAR - Cloud Security

Exponential-e is the first European CSP's to achieve CSA Star Certification from BSI. It provides our customers with the extra confidence that their data is fully protected by improving transparency and assurance within the Exponential-e Cloud.

ISO27017 - Private Cloud Security

This sets out guidelines for information security controls applicable to the provision and use of cloud services by providing additional controls with implementation.

ISO45001 – Occupational Health & Safety

This sets out guidelines for improving employee safety, reducing workplace risks and creating better, safer working conditions.

Exponential-e Limited

8S10012: 2017 - Data Protection

This certification supports our information governance strategy, helping us respond to immediate and future regulatory, legal, risk and operational requirements.

Cyber Essentials Plus - Information Assurance

This is a government-backed, industry supported scheme to help organisations protect themselves against common cyber-attacks.

SOC 2 Type 2 – Certified

This is a compliance standard, which specifies how organisations manage customer data. The standard is based on the following Trust Services Criteria: security, availability, processing integrity, confidentiality, privacy.

HSCN - Health and Social Care Network

This is a new data network for health and care organisations which provides the underlying network arrangements to help integrate and transform health and social care services by enabling them to access and share information more reliably, flexibly and efficiently.

NHS Track & Trace - Approved Service Provider

This is a new data network for service providers with pre-agreed obligations set out by NHS Digital. This enables Track & Trace to procure services swiftly.

PCI DSS - Service Provider

This is a set of comprehensive requirements for enhancing network security. It is a multifaceted security standard that includes requirements for: Security management, policies and procedures, network architecture and their critical protective measures.

Carbon and energy reporting

Streamlined energy and carbon reporting

The Board at Exponential-e recognises their responsibilities for achieving good environmental practice and making positive contributions to the community. This is demonstrated by our environmental and energy review, which is undertaken in line with Exponential-e's Environmental policy and with the requirements of ISO14001:2015 Environmental Management system and ISO 5001:2018 Energy Management system, with a principle aim to identify opportunities, objectives and programmes for improvement in performance at our head office in London.

Boundaries of reporting

The following report has been produced based on the Exponential-e Company. Vysiion Limited and Xpertex Limited have been excluded from this as the subsidiary does not meet two or more of the conditions stated in order to report on its own account.

The data within this report covers the calendar year Jan-Dec 2021, and therefore covers 11 months of FY 2021/22, and 1 month of FY 2020/21, which will not materially impact the conclusions.

Key environmental impacts within the organisation

1. Energy consumption – heating, power equipment, lighting
2. Maintenance and refurbishment
3. Waste water & sewage
4. Transport

Measuring

Monitoring and measuring is typically analysed using the associated units of kilograms of carbon dioxide equivalent. The primary source of emission factor data is the Department for Food & Rural Affairs' Greenhouse Gas Conversion Factor Repository.

Exponential-e Limited

The following methods are used to monitor past & present energy use and consumption:

- Electricity data obtained from meters
- CO2e conversion factors obtained from UK Government GHG Conversion Factors for Company Reporting - conversion factors are amended year on year
- kWh per staff – staff numbers reviewed monthly, average calculated
- kWh against revenue – revised monthly, average calculated.
- Working from Home calculations based on an average of 200watts per hour per person

Data is gathered in a standardised reporting database which is maintained by our Director of Compliance and records audited by BSI every 6 months

Energy Performance Indicators:

Energy performance indicators have been identified and will be measured on an annual basis and are agreed as: kWh per full time staff.

This has been selected based on measures that can be consistently applied across the company.

The Energy performance indicators will be reviewed at planned energy review meetings, and discussed at management reviews to ensure alignment with other business KPI's.

Year	Kwh - Office Consumption	Kwh - WFH Consumption	Kwh - Transport	Kwh - Total Consumption	Kwh/ Employee	tCO2e - Total Consumption	tCO2e/ Employee	CO2e travel
2018	580,631	-	296,396	877,027	95.62	239.30	29.37	75.07
2019	584,073	-	435,069	1,019,142	88.75	257.33	20.39	108.04
2020	440,805	145,984	177,347	764,136	96.02	144.56	21.95	41.79
2021	350,754	189,328	22,241	562,323	86.56	143.53	18.38	19.98

The group does not have any fuel or gas consumption and the energy consumption where not specifically stated comes from bought electricity

Energy Baseline:

The company has evaluated its energy baselines using the average monthly use from the period: January – December 2018.

Adjustment to the baseline shall be made in the case of one or more of the following:

- Energy performance indicators no longer reflect energy use and consumption,
- There have been major changes to the processes, operational patterns or energy systems
- According to a predetermined method as agreed by the energy review team.
- The inclusion of previously omitted data due to data deficiencies

The Exponential-e board and Company are committed to accurately quantifying all our significant emissions and taking proactive steps to achieve reductions and do our bit to protect the environment and future generations.

The following are some of the many environmental management measures and projects have been completed since the 2017 baseline:

- Investment in latest energy efficient technology for printing. The efficiency of this technology combined with the 'Think before you print' policy also reduces waste associated with printing.
- As part of Exponential-e's lease agreement, the landlord has carried out various upgrades that have contributed towards improved energy efficiency of the building. These upgrades include sliding doors, upgraded lifts, filtration on climate control and upgrade to installed boiler system
- Appropriate arrangements have been made on each floor to enable to collection of recyclable material
- Investment in energy efficient lighting and kitchen appliances

Exponential-e Limited

- The business encourages meetings by conference call/webinar wherever possible to reduce carbon emissions.
- The business considers the environmental impact of goods and services within procurement processes. Working with suppliers, contractors and indeed clients to lessen the environmental impact of their operations.

Exponential-e's national network infrastructure and data centres are critical to our core operation. These house our server and switching equipment, as well as our Virtual Data Centre (VDC). Energy efficient practices and reducing our carbon footprint in these facilities play an important role in Exponential-e achieving environmental sustainability. This is ensured as follows:

- All Exponential-e data centre environments are housed with ISO14001 accredited organisations which operate robust environmental management systems.
- Power is procured from sustainable/renewable energy sources wherever possible.
- Ensuring the use of hot/cold aisle cooling design. This methodology is proven to reduce energy consumption as the cooling is more efficient. This approach ensures that both Exponential-e and our clients can reduce their carbon footprint.
- The latest virtualisation technologies are employed to ensure the most efficient use of hardware. Our VDC delivers dedicated processing instead of having multiple, underused physical servers, helping to minimise environmental impact.

Exponential-e have committed to the following initiatives:

- Making an organisational commitment to reducing emissions over time to achieve Net Zero before 2050.
- Annually quantifying and declaring emissions of GHGs defined within the Kyoto protocol; carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
- Developing a Carbon Reduction Plan in line with PPN 06/21 Technical Standard for Completion of Carbon Reduction Plans outlining environmental management measures that will be applied in the performance of relevant contracts and wider business operations
- The Carbon Reduction Plan will be supported and signed off by top management (or equivalent) within the organisation

Exponential-e have set the following absolute reduction targets based on its most significant emission sources.

- Reduce emissions associated with electricity consumption at head office by 5% each year (36.64 tCO₂e reduction by 2025 compared with 2019)
- Reduce emissions associated with flights for business purposes by 50% by 2025 compared to 2019 (5.56 tCO₂e reduction)
- Reduce emissions associated with use of cars for business purposes by 10% by each year relative to 2019 levels by 2025 (44.24 tCO₂e reduction)

Exponential-e Limited

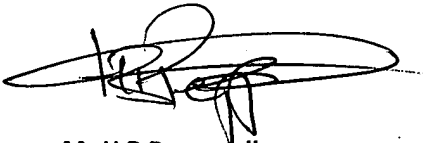
Post balance sheet events

There are no post balance sheet events to be disclosed.

Auditor

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

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

A handwritten signature in black ink, appearing to read 'H B Pepperall', is written over a large, horizontal, oval-shaped scribble.

Mr H B Pepperall
Director
Date 11th October 2022

Company registration number: 04499567

Exponential-e Limited

Independent Auditor's Report to the members of Exponential-e Limited

Independent auditor's report to the members of Exponential-e Limited

Opinion

We have audited the financial statements of Exponential-e Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2022, which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of finance position, the consolidated and parent company statement of changes in equity, consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2022 and of the group's profit for the year then ended;
- the groups financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

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

Exponential-e Limited

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 group's and the parent 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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Exponential-e Limited

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and sector in which they operate. We determined that the following laws and regulations were most significant: UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice, Companies Act 2006 and UK taxation laws.
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of the finance team, those responsible for compliance procedures, Human Resources and management. We corroborated our inquiries through our review of board minutes, walkthroughs performed with management and other supporting documentation.
- 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:

Exponential-e Limited

- identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - obtaining an understanding of the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - 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;
 - identifying and testing journal entries with our data interrogation software where each risk category was scoped with journals of large value, journals posted on or after 31st January 2022, journals with a blank description and journals by senior financial reporting personnel and material journals posted to cash being the key considerations;
 - testing the completeness of the company's related party transactions and testing that these transactions had a valid business purpose;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
 - held discussions with those outside the finance team including the entity's in-house legal representatives.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
 - 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 through the following:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions.
 - We enquired of management and the board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. None were noted.

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

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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 auditor's 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.

A handwritten signature in black ink, appearing to read 'G A T / L UK LLP', written in a cursive style.

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date 11th October 2022

Exponential-e Limited

Consolidated Statement of Comprehensive Income

	Notes	2022 £	2021 £
Revenue	2	184,056,860	170,085,764
Cost of sales	4	(78,217,029)	(66,993,756)
Gross profit		105,839,831	103,092,008
Other administrative expenses	4	(83,310,313)	(74,097,896)
Non-recurring expenses	4	(1,190,744)	(767,246)
Total administrative expenses		(84,501,057)	(74,865,142)
Other operating income	3	136,941	754,794
EBITDA		81,805,105	84,235,025
Depreciation and amortisation		(60,329,390)	(55,253,365)
Operating profit		21,475,715	28,981,660
Interest income	6	62	21
Interest payable and similar charges	6	(2,767,280)	(3,220,488)
Profit before tax		18,708,497	25,761,193
Taxation	7	(4,046,436)	(4,222,765)
Profit for the financial year		14,662,061	21,538,428

There were no other items of comprehensive income during the periods under review and hence the Group has not presented a separate statement of other comprehensive income.

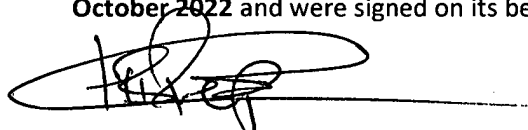
Exponential-e Limited

Consolidated Statement of Financial Position

	Notes	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Assets				
Non-current assets				
Goodwill	8	21,483,733	16,100,056	-
Intangible assets	9	11,465,757	11,551,938	3,862,666
Property, plant and equipment	10	42,551,629	35,524,855	33,091,698
Right of use assets	10	74,956,860	87,015,552	88,345,326
Deferred tax asset	7	-	3,650,505	3,584,340
		<u>150,457,979</u>	<u>153,842,906</u>	<u>128,884,030</u>
Current assets				
Inventories	12	1,597,267	1,780,242	665,804
Trade and other receivables	13	48,145,899	41,211,506	34,110,446
Current tax receivable		8,102,453	-	-
Cash and cash equivalents	14	12,782,036	12,751,526	7,545,561
		<u>70,627,655</u>	<u>55,743,274</u>	<u>42,321,811</u>
Current liabilities				
Trade and other payables	15	31,086,454	31,085,543	19,730,325
Deferred consideration		541,043	541,043	-
Lease liabilities	17	17,405,557	34,308,964	28,778,808
Deferred income	19	39,131,516	36,171,232	31,984,523
Borrowings	18	11,200,000	7,950,000	3,700,000
Current tax payable		-	179,931	2,430,447
		<u>99,364,570</u>	<u>110,236,713</u>	<u>86,624,103</u>
Non-current liabilities				
Deferred consideration		-	541,043	-
Lease liabilities	17	41,587,414	37,740,368	41,766,570
Deferred income	19	19,469,224	12,555,969	11,511,285
Borrowings	18	21,700,000	25,400,000	29,100,000
Provisions	16	1,908,353	2,926,861	1,953,894
Deferred tax liability	7	3,355,837	-	-
		<u>88,020,828</u>	<u>79,164,241</u>	<u>84,331,749</u>
Net assets/ (liabilities)		<u>33,700,236</u>	<u>20,185,226</u>	<u>249,991</u>
Equity				
Share capital	24	31,551	30,213	30,118
Share premium		1,201,952	1,136,345	1,113,815
Share based payment reserve		1,435,503	433,932	298,233
Capital redemption reserve		25,401	25,401	25,401
Retained earnings		31,005,829	18,559,335	(1,217,576)
Shareholders' funds		<u>33,700,236</u>	<u>20,185,226</u>	<u>249,991</u>

The notes to these financial statements form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for their issue on 11th October 2022 and were signed on its behalf by:



Mr H B Pepperall
Director

Registered number: 04499567

Exponential-e Limited

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Retained earnings / losses	Total
At 1 Feb 2020	30,118	1,113,815	298,233	25,401	(1,217,576)	249,991
Profit for the year					21,538,428	21,538,428
Total comprehensive income	0	0	0	0	21,538,428	21,538,428
Issue of shares	95	22,530				22,625
Dividends					(1,761,517)	(1,761,517)
Share based payment reserve			135,699			135,699
Total transactions with owners	95	22,530	135,699	0	(1,761,517)	(1,603,193)
At 31 Jan 2021	30,213	1,136,345	433,932	25,401	18,559,335	20,185,226
At 31 Jan 2021	30,213	1,136,345	433,932	25,401	18,559,335	20,185,226
Profit for the year					14,662,061	14,662,061
Total comprehensive income	0	0	0	0	14,662,061	14,662,061
Issue of shares	1,338	65,607				66,945
Dividends					(2,215,567)	(2,215,567)
Share based payment reserve			1,001,571			1,001,571
Total transactions with owners	1,337	65,607	1,001,571	0	(2,215,567)	(1,147,051)
At 31 Jan 2022	31,551	1,201,952	1,435,503	25,401	31,005,829	33,700,236

Exponential-e Limited

Consolidated Statement of Cash Flows

	Notes	2022 £	2021 £
Cash flow from operating activities			
Profit for the financial period before taxation		18,708,497	25,761,193
Finance income	6	(62)	(21)
Finance costs	6	2,767,280	3,220,488
Share based payment expense	25	783,544	74,143
Depreciation of property, plant and equipment	10	56,614,882	52,066,506
Amortisation of intangible assets	9	2,850,218	2,376,098
Impairment of intangible assets	9	398,367	95,317
Loss on disposal of property, plant and equipment		525,917	722,945
Tax (paid)		(5,351,903)	(7,322,356)
		<u>77,296,740</u>	<u>76,994,313</u>
Changes in working capital			
Decrease / (increase) in inventories		182,975	(1,114,438)
Decrease / (increase) in trade and other receivables		(5,458,161)	507,677
Increase / (decrease) in trade and other payables		6,441,143	6,875,317
		<u>78,462,697</u>	<u>83,262,869</u>
Net cash generated from operating activities			
Cash flow from investing activities			
Purchase of intangible assets		(2,172,230)	(1,343,330)
Purchase of property, plant and equipment		(21,467,444)	(13,141,442)
Cash paid for business combinations	27	(6,391,030)	(20,618,747)
Cash acquired in business combinations		1,185,371	119,497
Deferred consideration paid for previous business combinations		(541,043)	-
Interest received		62	21
		<u>(29,386,314)</u>	<u>(34,984,001)</u>
Net cash used in investing activities			
Cash flow from financing activities			
Issue of ordinary shares	24	66,945	22,625
Dividends paid		(2,215,567)	(1,761,517)
New loans received	18	3,250,000	4,250,000
Repayment of loans	18	(3,700,000)	(3,700,000)
Capital payments on lease liabilities	18	(43,679,969)	(38,663,523)
Interest paid on lease liabilities	18	(1,934,015)	(2,186,612)
Other interest paid		(833,265)	(1,033,876)
		<u>(49,045,871)</u>	<u>(43,072,903)</u>
Net cash used in financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year	14	12,751,526	7,545,561
Foreign currency movements		(2)	-
		<u>12,782,036</u>	<u>12,751,526</u>
Cash and cash equivalents at end of financial year			

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Notes to the consolidated financial statements

1. Principal Accounting Policies

1.1 Company information

Exponential-e Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at 100 Leaman Street, London, E1 8EU. The Company's subsidiaries listed in note 11, together with the Company, form the Exponential-e Limited group ("the Group").

1.2 Basis of preparation

These financial statements for the year ended 31 January 2022, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 January 2021, the Group prepared its financial statements in accordance with UK generally accepted accounting principles, FRS102. Accordingly, the Group has prepared financial statement that comply with IFRS applicable as at 31 January 2022, together with the comparative period data for the year ended 31 January 2021. More information on the transition to IFRS is presented in note 1.3 and note 30. The principal accounting policies set out below have been consistently applied to all periods presented. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for, where disclosed in the accounting policies, certain items which are carried at fair value.

The consolidated financial statements are presented in Sterling which is the functional currency of the Company and rounded to the nearest £.

The preparation of these consolidated financial statements requires management to make certain estimates and assumptions. Critical estimates and judgements are detailed in note 1.21 of these accounting policies.

The consolidated financial statements present the results of the Company and its own subsidiaries as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The consolidated financial statements present the results of the Group for the 12 month periods ended 31 January 2021 and 31 January 2022.

1.3 IFRS transition

The Group has adopted IFRS for the first time in these financial statements. FRS 102 was previously applied to all periods presented. The date of transition to IFRS was 1 February 2020. The requirements of IFRS 1 'First-Time Adoption of International Financial Reporting Standards' have been applied.

Comparative figures have been restated unless there is an exception to retrospective application required by IFRS 1 or the directors have taken advantage of any of the exemptions permitted by IFRS 1.

Further details and the reconciliations between the previously reported UK GAAP (FRS 102) numbers to those presented under IFRS are given in note 30.

1.4 Going Concern

The financial statements report a net asset position of £33,700,236 (2021: £20,185,226).

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In considering the going concern assumption, the Directors have reached their conclusion based on assessing future trading forecasts to the end of October 2023 as well as the balance sheet position at the date of signature of the financial statements.

The Group's business activities, its principal risks and uncertainties, together with details of its financial instruments, exposure to credit & liquidity risk, and its approach to financial risk management, are set out in the Strategic Report. The financial position of the Group and its cash flows are set out in the financial statements below.

The Group has a high degree of certainty on future revenue generation, thanks to a very high proportion of its revenue being derived from long-term contracts across a large number of customers and industries. Having achieved a record sales year in FY 2021/22, the Group expects to see growth in revenue in FY 2022/23 as the pipeline of contracts won are delivered and begin to generate revenue & cash. The FY 2022/23 forecast is therefore for continued growth, supported by this strong pipeline of deliveries and future sales.

In spite of the risks inherent in its market and the wider economy, the directors believe that the Group is well placed to manage its business risks successfully, and the Group is comfortable that it has adequate facilities in place to meet its financial obligations as and when they fall due, with £12.8m cash and a £22.5m undrawn revolving credit facility available as at 31 January 2022.

The Group performs detailed forecasting and extensive scenario analysis, to understand the expected future performance of the business and its resilience to risks.

A sensitivity analysis and reverse stress test has been performed by the Group, assessing a range of key inputs across each of the Groups' entities, resulting in a range of outcomes of financial performance and cashflow for the 12 months following the date of signature of these financial statements.

The sensitivity analysis factors in two main drivers: new business sales measured as 'first year revenue', and the rate of customer cancellations. Having performed a reverse stress test it was determined that the set of conditions required to result in the Group not being able to operate as a going concern are extremely unlikely. As such the directors are confident that the assumptions underlying the Group's forecasts are reasonable and that the Group will be able to operate on a going concern basis.

1.5 Revenue Recognition

Revenue represents the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group applies the IFRS 15 principles-based, five step model to all contracts, as follows:

- Identify the contract with the customer
- Identify the distinct performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract, on a relative stand-alone selling price basis
- Recognise revenue when the entity satisfies its performance obligations

Managed Services

The majority of the Group's revenue is comprised of multi-period contracts for managed services. The Group provides customers with a variety of IT managed services, predominantly leveraging Exponential-e's core network infrastructure to provide a backbone of network connectivity services, with additional or standalone Cloud, Unified Communications & Collaboration, Security & Managed services.

The Group enters into customer contracts to provide multiple service types, which are setup and commence at different points. In such cases, the Group considers each individual service to be a distinct

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performance obligation, which begins to be satisfied when the individual service goes live. This is on the basis the customer is able to benefit and use each service provided independently of the other services which have been promised in the contract.

The delivery of such services often comprises installation components such as the provision of professional services, consultancy and engineering services in order to setup and install the service. In such cases, the installation components are not deemed to constitute a distinct performance obligation because no distinct good or service is transferred to the customer, but instead are a necessary setup activity to enable the provision of the ongoing managed service. Therefore amounts billed in respect of this part of the work are allocated to the service performance obligation to which they relate.

For such managed service contracts, the price allocated to each service line is based on its standalone selling price. Revenue is recognised on a straight-line basis over the contracted service period, as the customer benefits and consumes the service evenly over that time, and elements such as support are always available and utilised evenly over the contract term.

Some managed service contracts contain an element of usage-based charges, and customers may request additional services or changes in scope, both resulting in additional charges. Usage-based charges are typically billed in arrears, in the period subsequent to which the usage takes place, and revenue is therefore accrued in the month which usage takes place. For changes in scope or additional services, a new distinct contract is entered into, with revenue recognised as above.

Typically, installation activities are billed at the commencement of the contract, and ongoing managed service provision is billed monthly or quarterly in advance. Payment is generally due 30 days after invoice date. Where amounts billed to customers are in advance, Deferred Income is recognised and released when the revenue is recognised. When revenue is billed in arrears, a contract asset is recognised and released when the revenue is billed. If revenue is billed following completion of a performance obligation, an unbilled receivable is recognised and released when the revenue is billed.

Due to the homogenous nature of managed service contracts, the Group has elected to apply the practical expedient in IFRS 15.4, and apply the Standard to a portfolio of contracts. To minimise the possibility of misstatement, the Group separately analyses a small number of "bespoke" contracts deemed to be of a significant value or complexity and therefore having sufficiently different characteristics to be considered not part of the portfolio. For the remaining portfolio, whilst individual services within each contract may be installed and commence at different times, the Group uses an estimate of the commencement date for all services within the Portfolio, based on historic delivery data, in order to determine the date at which revenue recognition should begin. For further information regarding critical judgements in the consideration of performance obligations, identification of "bespoke" contracts, and the estimate of commencement date, see note 1.21.

In its provision of managed services, the Group typically deploys hardware to either customer sites or its own sites, which is configured for use in providing the managed service. Control of such hardware remains with the Group, and the Group may retrieve hardware at the end of a service contract and redeploy the hardware on subsequent contracts. The Group has made a judgement that the hardware it deploys is an integral part of the service delivery to the customer, and the deployment of such hardware is not considered to be a separate lease arrangement with the customer.

When the initial term of a contract ends, if a customer does not terminate the original contract nor agree a renewal for a subsequent term, then the contract rolls beyond its initial term and ongoing billings continue at the same price and are recognised as earned. Where a contract is renewed for a subsequent term, a new commercial arrangement is agreed with the customer, often with new services or upgrades added or old services removed, and as such the contract renewal is a new contract comprising new performance obligations, with revenue recognised as outlined above. For the vast majority of contracts there are no material rights to account for at the outset of the initial contract.

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Professional Services & Project Activities

The Group provides Professional Services activities, such as consultancy or engineering services, on a standalone basis and distinct from the provision of any managed service contract. In addition, the Group delivers project activities, often to install and configure IT or Networking infrastructure, but with no associated ongoing managed service provision. There is usually only one performance obligation, being the specified Professional Services or Project work.

In cases where there is a standalone Professional Services or Project engagement, with no ongoing service component, arrangements are assessed for whether control passes over the course of the work's performance or only when it is completed. If control passes as the work is performed, such that the customer receives and consumes benefits as work is performed or the Group has a right to payment for work completed to date, then this is reflected in revenue recognition over time; if control and benefits do not pass during delivery but only on completion then revenue is recognised on completion. Revenue recognised over time on Professional Services and Project activities is on an input basis, looking at the Group's costs incurred in providing the services as a percentage of anticipated total costs.

Professional Services and Project work are billed either in advance of the work being performed, or in arrears following completion of the project or pre-agreed delivery milestones. When revenue is billed in advance of the work being completed, a contract liability is recognised and released when the revenue is recognised. When revenue is billed in arrears, a contract asset is recognised and released when the revenue is billed. If revenue is billed following completion of a performance obligation, an unbilled receivable is recognised and released when the revenue is billed. Payment is generally due 30 days after invoice date.

Product Sales

The Group sells hardware & software licenses that is sourced from and delivered by multiple vendors and distributors. For such sales, there is a single performance obligation, being the delivery of the product as specified in the order.

Revenue is recognised at a point in time when control passes to the customer, that is, when the product is delivered to and received by the customer. Revenue is billed either in advance, or in arrears following delivery of the product, with payment generally due 30 days after invoice date.

Where a Group company resells products to customers, an assessment is made as to whether the company is acting as principal or agent. This assessment is based on when control passes from the original supplier to the company, and also takes into account other factors in IFRS 15 such as the company's ability to set its own prices and its assumed responsibility for after sales support. There have been no situations identified, based on these assessments, where the directors have concluded a Group company is acting as agent rather than principal.

Costs to obtain and fulfil a contract

IFRS 15 requires incremental costs incurred to obtain a contract and costs to fulfil a contract not within the scope of another Standard, to be recognised as an asset and amortised over the period consistent with the transfer of services to the customer.

In obtaining contracts, the Group incurs commission costs payable to sales staff. These costs are capitalised as an asset and recognised as an expense only when the associated revenue is recognised.

In fulfilling contracts, the Group incurs costs relating to the installation activities and setup of an ongoing managed service, such as 3rd party subcontracted works and professional services. These costs are capitalised as a contract asset and recognised as an expense only when the associated revenue is recognised.

1.6 Other Operating Income

Government grants received relating to the Covid-19 pandemic are included in other operating income in the same periods as the costs for which they are intended to compensate.

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R&D tax claims made under the RDEC scheme are included in other operating income in the period in which the claim is made and received.

1.7 Non-recurring items

Non-recurring items are administrative expenses which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow stakeholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

1.8 Leases

The Group makes use of leasing arrangements for a variety of right-of-use assets, including Core Network Infrastructure, Customer Infrastructure and equipment, Datacentre Rackspace, Office Buildings and Motor Vehicles, where the Group has a right to control the use of such identified assets for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is presented as a separate line in the statement of financial position, and is initially measured as the present value of the fixed & in-substance fixed lease payments not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are recognised in the relevant category of Property, Plant and Equipment, and comprise the initial measurement of the corresponding lease liability, prepayments made on the lease at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

For Datacentre Rackspace, Office Building and Motor Vehicles, the lease term used for calculating the future payments is based on the contractual period for which the Group can continue in the lease and would suffer penalties for terminating the lease earlier.

For Core Network Infrastructure and Customer Infrastructure and equipment, the Group typically enters into contracts with a rolling arrangement which allows ongoing use of a right-of-use asset beyond the initial contracted term. Due to the fact that Core Network Infrastructure and Customer Infrastructure and equipment is often utilised to deliver multiple services to multiple customers, and the Group has reasonable certainty that it will not exercise an option to terminate such leases at the end of the initial term, the Group estimates the lease term used for calculating the future payments of such leases. For further information regarding this critical estimate, see note 1.21.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with service charges at Office Buildings, and servicing and repair contracts in respect of motor vehicles. The Group has elected to utilise the practical expedient available in IFRS 16.15 to not separate its leases for Office Buildings & Motor Vehicles into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone selling prices.

Where variable lease payments occur, such as for power charges in the Group's Datacentres, these are recognised as expenses in the period in which they occur.

The lease liability is reassessed when there is a change in the lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment

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when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset.

The Group has elected to apply the exemption available in IFRS 16 relating to leases of low-value assets and short-term leases, meaning leases that meet these conditions would not give rise to lease liabilities or right of use assets and payments relating to these arrangements are recognised as expenses on a straight line basis over the lease term.

Interest rate for calculation of lease liabilities

In calculating the value of lease liabilities on transition to IFRS, it is necessary to use an appropriate rate to discount future lease payments. IFRS 16 requires that the calculation uses the interest rate implicit in the lease or, if this is cannot readily be determined, the lessee's incremental borrowing rate.

The incremental borrowing rate has been estimated based on the cost to the Group of existing & proposed borrowings, adjusted to take into account the predicted cost of increasing the capital borrowed. As the majority of the Group's lease arrangements are for customer infrastructure and equipment, the Group considers it reasonable to apply to the same incremental borrowing rate across all leases.

1.9 Pensions

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense in profit or loss when employees have rendered service entitling them to the contributions. 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 Group in independently administered funds.

1.10 Share-based payments

The Group provides share-based payment arrangements to certain employees. Equity settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant.

The managed growth scheme is an equity-settled share based payment scheme. This comprises the award of C shares which have specific vesting conditions, and have been valued using the Black-Scholes option pricing model.

Share options awarded as part of the enterprise management incentive scheme and company share option plan have no vesting conditions other than conditions around the timing of vesting, and have been valued using the Black-Scholes option pricing model.

The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period. The Group has no cash settled arrangements.

1.11 Taxation

1.11(a) Current taxation

Current taxation for the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

1.11(b) Deferred taxation

Deferred taxation is calculated based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or

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substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Current tax assets and liabilities and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Business combinations and goodwill

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is recorded as an intangible asset and is the surplus of the cost of acquisition over the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged to profit or loss.

1.13 Intangible assets

Intangible assets that are not acquired as part of a business combination are capitalised at cost. Intangible assets acquired in business combinations are capitalised separately from goodwill if they qualify for separate recognition, initially measured at their fair values, and then amortised in line with the Group's amortisation policy.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Development costs are capitalised within intangible assets where the Group can demonstrate:

- The technical feasibility of completing the asset so it will be available for use
- Its intention to complete the intangible asset and use it
- Its ability to use the asset
- How the asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use the asset
- Its ability to measure reliably the expenditure attributable to the asset during its development

The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives of 3 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.

Other 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. The estimated useful lives range as follows:

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Trade Names – 5 years
 Customer Relationships Xpertex – 9 years
 Customer Relationships Vysiion - 14 Years
 Software licences – 8 years
 Development costs – 3 years
 Support and maintenance agreements – straight line over the term of the associated customer contract

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

1.14 Property, plant and equipment

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

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

Leasehold improvements – Straight line over life of the lease
 Customer Infrastructure & Equipment – 4-8 Years
 Core Infrastructure – 8 Years
 Office Equipment – 3-7 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.

1.15 Impairment of non-financial assets

At each reporting date, the Directors review the carrying amounts of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Goodwill is reviewed for impairment annually, and for other assets if any indication of impairment exists. For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units (being each subsidiary of the Group) that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

In performing an impairment test, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows from each cash-generating unit are discounted to their present value using a suitable pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The data used for impairment testing procedures is directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

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If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately, except for impairment losses on goodwill, which are not reversed.

Further information can be found in Note 8 of the financial statements.

1.16 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.

Cash and cash equivalents include debit and credit card payments made by customers which are receivable from banks and clear the bank within three working days of the transaction date.

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.18 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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Classification and initial measurement of financial assets

Except for trade receivables (which do not contain a significant financing component) that are initially measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable- this is not permitted for financial assets at fair value through profit or loss: instead, transaction costs are expensed as incurred).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorised as FVOCI.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses ("ECL") and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Group to recognise a loss allowance for ECL on trade receivables.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Trade receivables

The Group's trade receivables, which are measured at amortised cost, are first grouped based on the credit ratings of customers and assessed for impairment based on experience of write-offs for each credit bucket to predict lifetime ECL, applying the simplified approach set out in IFRS 9. The segmentation used is reviewed periodically to ensure it is still appropriate. Within the groupings based on credit rating, further analysis is performed by ageing, so that historical experience of recovery of older balances is also taken into account in the calculation of expected losses. The percentage loss expectation to be applied to each bucket is revisited annually as are the assessed credit ratings of customers.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

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All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within finance costs or finance income.

Trade and other payables

Trade and other payables, like other liabilities at amortised cost, are initially measured at fair value, which is the transaction price.

Borrowings

Bank and other loans, and loan notes, are classified as financial liabilities at amortised cost and treated in line with the Group's policies for this type of liabilities.

Where borrowings are renegotiated, the present value of the expected cash flows under the revised arrangement is compared to the previous present value to determine whether the change is dealt with prospectively as a modification to the terms of the existing loan or as the cancellation of one arrangement and issue of another.

1.19 Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share-based payment reserve" represents the accumulated value of share-based payments.
- "Retained earnings / losses" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital contribution reserve" represents shares repurchased by the Group.

1.20 International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. For the next reporting period, applicable International Financial Reporting Standards will be those endorsed by the UK Endorsement Board (UKEB).

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following could potentially have a material impact on the Group's financial statements going forward:

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New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	UKEB adopted
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	No
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	No
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	No
Various	Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	1 January 2022	No
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021	Yes

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the Company.

1.21 Critical accounting judgements and key sources of estimation uncertainty

Preparation of the consolidated financial statements requires management to make significant judgements and estimates. These are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

Under IFRS estimate or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. estimation methods or assumptions could reasonably have been used.

Critical Accounting Judgements

Revenue recognition

Identification of performance obligations

As described in the accounting policy note, contracts with customers have been analysed into their underlying performance obligations. The identification of distinct performance obligations is a matter of judgement, in particular the assessment of whether a whole combined contract should be analysed as a single performance obligation or an aggregation of many performance obligations. Whilst the Groups' commitment is to provide all services contained within the combined contract, due to the fact that typically each individual service within a contract commences at different points in time and the customer is able to consume benefit from each individual service as it is delivered, management therefore determine that each individual service is a distinct performance obligation.

Identification of Bespoke Contracts vs Portfolio Contracts

As described in the accounting policy note, management have applied the practical expedient in IFRS15.4 to a portfolio of contracts.

Management have had to make a critical judgement over which contracts fall within the portfolio of 'standard' contracts and which have sufficiently different characteristics to be considered not part of this portfolio and requiring separate assessment. The characteristics that Management assess in making this judgement are: the transaction price allocated to the installation activities; the initial term of the contract; and the expected time required to setup the service(s).

Where bespoke contracts have been identified from applying judgements above these contracts are reviewed on an individual contract basis, to determine the performance obligations, allocate the

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installation revenue to the relevant services and recognise revenue as each performance obligation has been satisfied.

Critical Accounting Estimates

Estimate of commencement dates of services for portfolio contracts

As described in the accounting policy note, for a portfolio list of contracts, management have estimated the service commencement date of these services.

The weighted average period to setup a service (from contract signature to commencement date) has been calculated using historical data.

This weighted average period is applied from the contract signature date, to determine the date at which revenue recognition commences for the installation and setup fees charged to a customer at the outset of the contract.

Management have used this approach for the portfolio contracts as it would be impracticable to determine and apply the exact service commencement date of each service and allocate a specific element of the upfront fees to each individual performance obligation. For the majority portfolio contracts, the managed services will be live and being used by the customer by the end of the average implementation period. While individual services will go live at different dates, the timing difference has been determined not to have a material impact on revenue. As explained above, a more detailed approach is taken for bespoke contracts where the setup and range of services provided mean the setup time is over a longer period of time. In completing a sensitivity analysis, management have determined that the sensitivity of this estimate is minimal – should the time required to setup and install each service double, this would result in a 0.2% misstatement of revenue, therefore management are comfortable that using a weighted average on portfolio contracts gives a reasonable approximation for the precise starting point of each individual arrangement. The Company reviews the weighted average on an annual basis at each end of financial year period

Lease term – Network Infrastructure leases

As described in the accounting policy note, the lease term is either the legal contractual period or where the Group has a rolling arrangement management have had to make a judgement to estimate the likelihood and length of the enforceable period to provide a maximum lease term to apply.

When a new lease commences, an estimate is made of the lease term which must include the minimum term plus any periods for which the Group expects and is able to extend the lease. Sensitivity analysis has been performed to determine the impact a movement on the lease term applied has on the overall NBV of the leased assets, this showed that a 11% movement on the estimated lease term of this class of assets could impact the NBV by 20%. The estimate is based on historical data of the average term of network infrastructure leases. This estimate will be reviewed annually.

The value of lease liability and ROU-asset at significant risk of a material adjustment is £32,613,177 and £36,761,175 respectively.

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Notes to the consolidated financial statements**2. Revenue**

There were no amounts at any reporting date of revenue that had been contractually agreed but not yet performed or cash received.

Revenue arose as follows:

	2022 £	2021 £
UK	176,800,416	162,842,830
Rest of the world	7,256,444	7,242,934
	<u>184,056,860</u>	<u>170,085,764</u>

Revenue from customers is disaggregated between contract types as follows:

	2022 £	2021 £
<i>Point in time:</i>		
Product sales	7,512,711	6,197,862
<i>Over time – provision of services:</i>		
Professional Services and project activities	6,117,094	5,449,115
Managed service arrangements	170,427,055	158,438,787
	<u>184,056,860</u>	<u>170,085,764</u>

Details of receivables arising from contracts with customers are set out in note 13.

3. Other operating income

	2022 £	2021 £
Government grants	47,487	754,794
R&D Tax Credit	89,454	0
	<u>136,941</u>	<u>754,794</u>

Government grants relate to claims made by the Group under the Coronavirus Job Retention Scheme during the Covid-19 pandemic.

R&D tax claims made under the RDEC scheme, which has been offset against the company's corporation tax liabilities.

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4. Operating Profit

	2022 £	2021 £
Operating Profit is stated after charging/(crediting):		
Cost of sales:		
Cost of delivering services	36,388,758	29,487,028
Variable lease payments	1,990,329	1,658,114
Owned assets depreciation	9,596,616	6,937,435
Right of use assets depreciation	28,695,366	27,729,875
Amortisation	1,011,303	566,147
(Profit)/loss on disposal of right of use assets	534,657	737,631
Administrative expenses:		
Core infrastructure	5,742,936	5,820,758
Employment costs (note 5)	48,472,663	42,439,163
Net foreign exchange (gains)/losses	(24,801)	(26,897)
Credit loss provision	257,432	834,408
Owned assets depreciation	4,862,164	4,398,301
Right of use assets depreciation	13,460,736	13,000,915
Amortisation	1,838,915	1,809,916
(Profit)/loss on disposal of right of use assets	(68,734)	(22,207)
Impairment of intangible assets	398,367	95,317
Other administrative expenses	7,961,521	5,388,315
Auditor's remuneration:		
- Group	326,201	95,000
- Subsidiaries	80,340	36,000
- Audit-related assurance services	2,575	2,500
- Tax advisory services	-	63,500
- Transaction related services	-	40,400

Non-recurring expenses arose as follows:

	2022 £	2021 £
Severance pay	-	162,147
Share based payment expense	783,544	74,143
Lease dilapidation provision	-	54,055
Provision for Onerous Contract release	(57,878)	(152,233)
Business acquisition expenses	349,807	411,634
IFRS transition expenses	115,271	217,500
	<u>1,190,744</u>	<u>767,246</u>

The nonrecurring expenses consist of the following:

- The severance pay in 2021 is one-off transaction due to the size and incidence in which it occurred during the period.

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- The share-based payment charge is a non-cash expense, relating to a number of one-off share option awards. In 2021 the charge is in relation to the Board offering share option awards to 153 staff members in February 2020. In 2022 this charge is in relation to the managed growth scheme which is an equity-settled share based payment scheme. This comprises the award of C shares which have specific vesting conditions, and have been valued using the Black-Scholes option pricing model.
- The lease dilapidation provision in 2021 is a one-off transaction due to the incidence in which it occurred. The additional provision is in relation to the company acquiring additional floor space at its Head Office at Leman Street.
- The provision for Onerous Contract relates to the release of surplus provision relating to the cost of outsourced service delivery for a loss-making customer contract
- The Business acquisition expenses relate to costs incurred in acquiring Xpertex £337,162 (see note 27), the remaining charge in 2022 and the £411,634 (2021) is in relation to the costs incurred in acquiring Vysiion.
- The IFRS transition expenses represents accrued professional fees in relation to the Group's transition to IFRS.

5. Directors and employees

The aggregate payroll costs of the employees, including management and the Executive Directors, were as follows:

	2022 £	2021 £
Wages and salaries	41,986,087	36,878,852
Share based payments	783,544	74,143
Social security	5,104,149	4,303,716
Cost of defined contribution scheme	1,382,426	1,256,594
	<u>49,256,206</u>	<u>42,513,305</u>

Staff costs above include £782,788 for the year (2021: £630,583) employee costs capitalised as part of Development Costs (see Note 9).

Average monthly number of persons employed by the Group during the year was as follows:

	2022 £	2021 £
Sales & sales administration	219	212
Service delivery & engineering	388	356
Management & administration	108	102
	<u>715</u>	<u>670</u>

	2022 £	2021 £
Remuneration of Directors		
Emoluments and fees for qualifying services	2,277,269	1,668,078
Contributions to defined contribution scheme	48,729	50,005
	<u>2,325,998</u>	<u>1,718,083</u>

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2,325,998	1,718,083
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Key management personnel are identified as the Group Board Directors.

During the year retirement benefits were accruing to 6 Directors (2021 – 5) in respect of defined contributions pension schemes.

The highest paid director received remuneration of £641,925 (2021: £429,756) and the company paid pension contributions on his behalf of £nil (2021: £nil).

6. Finance income and expense

Finance income

	2022	2021
	£	£
Interest received on bank balances	62	21
	62	21

Finance expense

	2022	2021
	£	£
Other interest	27,537	(1,186)
Bank loan interest	805,728	1,035,062
Interest expense on lease liabilities	1,934,015	2,186,612
	2,767,280	3,220,488

7. Taxation

	2022	2021
	£	£
Current tax:		
UK corporation tax based on the results for the year	174,438	5,103,994
Adjustments in respect of prior year	(3,102,865)	0
	(2,928,427)	5,103,994
Deferred tax:		
Origination and reversal of timing differences	8,229,603	(488,337)
Effect of tax rate change on opening balance	(1,156,377)	(392,892)
Adjustments in respect of prior periods	(98,363)	
	6,974,866	(881,229)
Total tax on (losses) / profits on ordinary activities	4,046,436	4,222,765

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Factors affecting tax charge for the year

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

	2022 £	2021 £
Profit / (loss) on ordinary activities before tax	18,708,497	25,761,193
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (all periods)	3,554,614	4,894,627
Effects of:		
Expenses not deductible for tax purposes	264,255	477,045
Income not taxable	0	(382)
Fixed asset differences	(811,783)	0
Losses carried back	3,291,252	0
Adjustments to tax charge in respect of prior periods	(3,102,865)	563,005
Adjustment to tax charge in respect of previous periods- deferred tax	(97,744)	0
Other differences	0	(510,129)
Unrecognised deferred tax movement	0	(824,745)
R&D expenditure credits	(16,996)	17,100
Deferred tax (charged)/credited to equity	218,027	0
Effect of change in tax rates	747,676	(393,756)
Total tax (credit)	4,046,436	4,222,765

An increase in the UK corporation tax rate from 19% to 25%, effective 1 April 2023, was substantively enacted on 24 May 2021. As such, deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year end of 25%.

On 23 September 2022, the Government announced that the aforementioned increase in the UK corporation tax rate from 19% to 25% would no longer take effect. This change had not been substantively enacted at the date of signing. If deferred taxes at the reporting date had been measured using a tax rate of 19%, this would result in an increase in the deferred tax liability of £1,156,375.

From 1 April 2021 until 31 March 2023, companies are able to claim a 130% super-deduction capital allowance on qualifying new plant and machinery assets. The Group has taken advantage of this allowance from 1 April 2021 to 31 January 2022, which has enabled the group to carry back losses to the prior period to generate a corporation tax repayment of £3,291,252. The overall benefit of the super deduction is a £881,783 reduction in the tax charge.

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Deferred tax Asset/(liability)

	At 31 January 2022 £	At 31 January 2021 £
Opening balance	3,650,505	3,584,340
Adjustment to opening balance	22,933	0
Charged)/credited to the income statement	(8,154,173)	488,340
Deferred tax - change in tax rate	1,156,375	392,892
Charged directly to equity	218,027	29,402
Business combinations arising during the year	(249,504)	(844,469)
Closing balance	<u>(3,355,837)</u>	<u>3,650,505</u>

Deferred tax comprises:

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Fixed asset timing differences	(1,889,750)	282,625	(8,495)
Business combinations	(2,027,330)	(1,498,039)	0
Tax Losses	92,722	74,506	0
Other temporary differences	90,104	4,374,874	3,372,194
Leases	141,854	152,409	0
Share Options	236,563	264,130	220,641
	<u>(3,355,837)</u>	<u>3,650,505</u>	<u>3,584,340</u>

8. Goodwill

	Total £
Cost	
At 1 February 2020	-
Additions	<u>16,100,056</u>
At 31 January 2021	16,100,056
Additions	<u>5,383,677</u>
At 31 January 2022	<u>21,483,733</u>

Allocation of goodwill to cash generating units

For the purpose of annual impairment testing, goodwill is allocated to the cash generating units (CGUs) expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value.

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The Board has determined that the Group has the following cash generating units as these are the smallest identifiable groups of assets that generates cash inflows that are independent of the other assets or groups of assets , with no further disaggregation. Goodwill is allocated to each CGU as follows:

	£
Vysiion	16,100,056
Xpertex	<u>5,383,677</u>
	<u>21,483,733</u>

Goodwill arising from the acquisition of each Subsidiary has been allocated to the relevant Cash Generating Unit based on a valuation exercise at the point of acquisition.

The recoverable amounts of the CGUs have been determined from value in use calculations based on cash flow projections from a formally approved 12 month forecast which has been extrapolated out over a 5 year period, which is considered by management to be an appropriate projection period for the impairment review of non-amortised assets.

Other major assumptions are as follows:

Impairment review date	At 31 January 2022 Vysiion %	At 31 January 2021 Vysiion %	At 31 January 2022 Xpertex %
Discount rate	12.1	12.1	15.3
Annual growth assumptions used to extrapolate 1 year budget forecast:			
- 2 – 5 years	2.0 – 12.0	2.0 – 12.0	2.0 – 12.0
- Beyond 5 years	2.0	2.0	2.0

The 12 month forecast data is based on the most recent annual financial statements uplifted for management's best estimates of reasonable growth targets for the subsequent 12 month period.

Management's key assumption includes revenue growth and stable profit margins based on past experience in the market.

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year to year 5 are based on economic data for the industry sector, along with historical experience and various other assumptions believed to be reasonable.

The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount for any of the cash-generating units.

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9. Intangible assets

	Trade names £	Customer relationships £	Development costs £	Software licensing £	Support and maintenance agreements £	Total £
Cost						
At 1 February 2020	-	-	2,315,372	2,937,634	-	5,253,006
Acquired in business combinations	1,021,224	7,544,393	31,206	-	220,534	8,817,357
Additions	-	-	705,022	-	638,308	1,343,330
At 31 January 2021	1,021,224	7,544,393	3,051,600	2,937,634	858,842	15,413,693
Acquired in business combinations	325,260	664,915	-	-	-	990,175
Additions	-	-	971,185	-	1,201,044	2,172,229
At 31 January 2022	1,346,484	8,209,308	4,022,785	2,937,634	2,059,886	18,576,097
Amortisation						
At 1 February 2020	-	-	931,120	459,220	-	1,390,340
Charge for the year	187,224	493,978	761,511	367,204	566,181	2,376,098
Impairment	-	-	-	95,317	-	95,317
At 31 January 2021	187,224	493,978	1,692,631	921,741	566,181	3,861,755
Charge for the year	225,929	563,512	701,021	348,453	1,011,303	2,850,218
Impairment	-	-	-	398,367	-	398,367
At 31 January 2022	413,153	1,057,490	2,393,652	1,668,561	1,577,484	7,110,340
Net book value						
At 31 January 2022	933,331	7,151,818	1,629,133	1,269,073	482,402	11,465,757
At 31 January 2021	834,000	7,050,415	1,358,969	2,015,893	292,661	11,551,938
At 1 February 2020	-	-	1,384,252	2,478,414	-	3,862,666

An impairment loss of £398,367 (2021: 95,317) was recognised for software licencing. Software licencing represents two software agreements for the purchase and use of Broadsoft software and Service Assurance Suite software, licences deployed by the end of each term are then held on a perpetual basis. Amortisation is recognised within administrative expenses.

Trade Names and Customer relationships represent the value associated to the acquisition of Vysiion and Xpertex based on a valuation exercise at the point of acquisition. Amortisation is recognised within administrative expenses.

Internally generated intangibles represent capitalised development costs and enhancements to internal software which are ready to use, and any software capitalised which remains under development is immaterial at all reporting dates. Amortisation is recognised within administrative expenses.

Support and maintenance agreements relate to a specific customer contract in Vysiion Limited and is amortised over the term of the customer contract. The amortisation is recognised within Cost of Sales.

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10. Property, plant and equipment

	Leasehold property improvements £	Customer Infrastructure & Equipment £	Core infrastructure £	Office equipment £	Total £
Cost					
At 1 February 2020	826,283	34,854,640	38,596,367	1,632,245	75,909,535
Additions	161,212	8,402,477	4,325,363	252,391	13,141,443
Acquired in business combinations	89,036	337,630	-	200,784	627,450
Disposals	-	-	-	-	-
At 31 January 2021	1,076,531	43,594,747	42,921,730	2,085,420	89,678,428
Additions	54,653	16,256,059	4,720,053	436,679	21,467,444
Acquired in business combinations	-	-	-	18,110	18,110
Disposals	-	-	-	-	-
At 31 January 2022	1,131,184	59,850,806	47,641,783	2,540,209	111,163,982
Depreciation					
At 1 February 2020	638,937	21,287,190	19,614,237	1,277,473	42,817,837
Charge for the year	104,401	6,937,435	4,030,941	262,959	11,335,736
Disposals	-	-	-	-	-
At 31 January 2021	743,338	28,224,625	23,645,178	1,540,432	54,153,573
Charge for the year	132,175	9,596,616	4,421,031	308,958	14,458,780
Disposals	-	-	-	-	-
At 31 January 2022	875,513	37,821,241	28,066,209	1,849,390	68,612,353
Net book value					
At 31 January 2022	255,671	22,029,565	19,575,574	690,819	42,551,629
At 31 January 2021	333,193	15,370,123	19,276,552	544,988	35,524,856
At 1 February 2020	187,346	13,567,450	18,982,130	354,772	33,091,698

	Right of use lease assets (offices) £	Right of use lease assets (Customer Infrastructure & equipment) £	Right of use lease assets (core infrastructure) £	Right of use lease assets (data centres) £	Right of use lease assets (motor vehicles) £	Total £
Cost						
At 1 February 2020	-	72,712,385	23,129,535	7,294,217	-	103,136,137
Additions	12,847,468	25,361,169	2,974,054	1,748,093	73,311	43,004,094
Acquired in business combinations	872,524	341,081	-	1,518,818	165,620	2,898,043
Disposals	-	(9,595,817)	(432,623)	-	(20,123)	(10,048,563)
At 31 January 2021	13,719,992	88,818,818	25,670,966	10,561,128	218,808	138,989,712
Additions	-	21,653,289	1,029,674	11,411,882	260,764	34,355,609
Acquired in business combinations	94,335	-	-	-	-	94,335
Disposals	-	(11,698,304)	(313,466)	-	-	(12,011,770)
At 31 January 2022	13,814,327	98,773,803	26,387,174	21,973,010	479,572	161,427,886
Depreciation						
At 1 February 2020	-	8,082,483	6,708,329	-	-	14,790,812
Charge for the year	2,193,743	27,729,875	6,055,253	4,667,280	84,619	40,730,770
Disposals	-	(3,476,812)	(59,067)	-	(11,543)	(3,547,422)

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At 31 January 2021	2,193,743	32,335,546	12,704,516	4,667,280	73,076	51,974,160
Charge for the year	2,812,400	28,695,366	6,259,784	4,245,252	143,299	42,156,101
Disposals	-	(7,433,215)	(226,020)	-	-	(7,659,235)
At 31 January 2022	5,006,143	53,597,697	18,738,280	8,912,532	216,374	86,471,026
Net book value						
At 31 January 2022	8,808,183	45,176,106	7,648,893	13,060,478	263,198	74,956,860
At 31 January 2021	11,526,249	56,483,272	12,966,451	5,893,848	145,732	87,015,552
At 1 February 2020	-	64,629,902	16,421,206	7,294,217	-	88,345,326

Depreciation of £38,291,982 (2021: £34,667,310) has been recognised within Cost of Sales in the income statement.

Depreciation of £18,322,900 (2021: £17,399,196) has been recognised within administrative expenses in the income statement.

Right of use assets as disclosed in the table above arise from lease agreements, as disclosed in note 17. These right of use assets are pledged as security for the corresponding lease liabilities.

In addition, bank borrowings are secured by a fixed and floating charge over all of the Group's assets, including property, plant and equipment.

11. Subsidiary undertakings

Subsidiaries are listed below. Where their Registered Office is listed as "London", the full address is 100 Leman Street, London, E1 8EU.

	Registered Office	Class of shares	Holding
Exponential Networks Ltd	London	Ordinary	100%
Vysiion Limited	London	Ordinary	100%
Xpertex Ltd	London	Ordinary	100%

12. Inventories

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Finished goods & goods for resale	824,701	1,526,440	665,804
Work in progress	772,566	253,802	-
	<u>1,597,267</u>	<u>1,780,242</u>	<u>665,804</u>

Impairment of inventories of £0 (2021: £62,150) are recognised in cost of sales as an expense.

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13. Trade and other receivables

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Trade and other receivables			
Trade receivables, gross	27,882,668	28,074,707	20,941,136
Allowance for credit losses	(1,476,810)	(1,736,385)	(1,027,131)
Trade receivables, net	26,405,858	26,338,322	19,914,005
Accrued Revenue	2,195,747	1,206,679	676,129
Contract Costs	6,864,906	4,324,821	3,834,065
Other receivables	1,598,187	1,437,384	1,068,955
Prepayments	11,081,201	7,904,300	8,617,292
	<u>48,145,899</u>	<u>41,211,506</u>	<u>34,110,446</u>

Note 21 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses

Capitalised contract costs consist of commissions and installation costs associated with specific customer contracts.

	At 31 January 2022	At 31 January 2021
Commissions		
Opening	3,905,297	3,834,065
Fair value on acquisition	-	64,891
Capitalised	3,581,781	3,483,752
Amortised	(3,593,171)	(3,477,411)
Closing	3,893,907	3,905,297
Installations Costs		
Opening	419,524	-
Fair value on acquisition	-	64,499
Capitalised	3,093,044	585,577
Amortised	(541,569)	(230,552)
Closing	2,970,999	419,524
Total Contracted Costs	<u>6,864,906</u>	<u>4,324,821</u>

14. Cash and cash equivalents

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Cash at bank (GBP)	12,782,036	12,751,526	7,545,561

At the reporting dates presented all significant cash and cash equivalents were deposited in the United Kingdom with large international banks.

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15. Trade and other payables

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Current			
Trade payables	15,504,843	13,738,244	11,268,229
Other tax and social security	3,081,520	6,462,129	1,774,423
Other payables	3,403,568	3,393,543	2,324,244
Accruals	9,096,523	7,491,627	4,363,429
	<u>31,086,454</u>	<u>31,085,543</u>	<u>19,730,325</u>

16. Provisions

At 31 January 2022

	Renewal provision £	Onerous contract provision £	Total £
Current			
Balance at 1 February 2021	2,424,361	502,500	2,926,861
Fair value on acquisition	117,000	-	117,000
Utilised during the year	(1,684,203)	(502,500)	(2,186,703)
Provided during the year	1,051,195	-	1,051,195
At 31 January 2022	<u>1,908,353</u>	<u>-</u>	<u>1,908,353</u>

At 31 January 2021

	Renewal provision £	Onerous contract provision £	Total £
Current			
Balance at 1 February 2020	1,953,894	-	1,953,894
Fair value on acquisition	354,578	1,081,040	1,435,618
Utilised during the year	(1,833,105)	(526,307)	(2,359,412)
Provided / (released) during the year	1,948,994	(52,233)	1,896,761
At 31 January 2021	<u>2,424,361</u>	<u>502,500</u>	<u>2,926,861</u>

Renewal provision has been calculated based on historic renewal behaviour, to reflect back dated discounts provided upon renewal of customer contracts, and the expected timing of these outflows is expected in the next year.

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17. Leases

Right of use assets

The Group use leasing arrangements with a maximum term of 10 years relating to buildings, vehicles, data centres and network equipment.

	At 31 January 2022 £	At 31 January 2021 £
Additions to right of use assets (including from business combinations)	34,449,944	45,902,137
Disposals from right-of-use assets	(4,352,535)	(6,501,141)
Depreciation charge – right of use assets	(42,156,101)	(40,730,770)
Carrying amount at the beginning of the year – right of use assets:	87,015,552	88,345,326
	<u>74,956,860</u>	<u>87,015,552</u>
Carrying amount at the end of the year - right of use assets:	<u>74,956,860</u>	<u>87,015,552</u>

Depreciation charge for right of use assets by class can be found in Note 10.

In the above table, leases acquired in business combinations are included in the additions line.

	At 31 January 2022 £	At 31 January 2021 £
Interest expense on lease liabilities	1,934,015	2,186,612
Total cash outflow for leases	45,613,983	40,850,136

Lease liabilities	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Current	17,405,557	34,308,964	28,778,808
Non-current	41,587,414	37,740,368	41,766,570
	<u>58,992,971</u>	<u>72,049,332</u>	<u>70,545,378</u>

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense related to payments not included in the measurement of the lease liability is as follows:

	2022 £	2021 £
Short-term leases	-	309,347
Leases of low-value assets	1,046,065	852,352
	<u>1,046,065</u>	<u>1,161,699</u>

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18. Borrowings

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Amounts falling due within one year			
Bank loan	3,700,000	3,700,000	3,700,000
Revolving credit facility	7,500,000	4,250,000	-
Total borrowings	<u>11,200,000</u>	<u>7,950,000</u>	<u>3,700,000</u>

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Amounts falling due after one year			
Bank loan	21,700,000	25,400,000	29,100,000
Total borrowings	<u>21,700,000</u>	<u>25,400,000</u>	<u>29,100,000</u>

Summary of borrowing arrangements:

Bank loans are secured by a fixed and floating charge held over the assets held by the Group. The financing agreement was originally to March 2019 and has been extended to March 2024. As a result, the Group had the following loans available to it at the end of FY 2021/22: a £2m overdraft facility; a £30m revolving credit facility of which £7.5m had been drawn; and a term loan of £25.4m. Interest is charged at 1.45% to 2.45% over SONIA (previously over LIBOR) with the exact rate depending on the Group's net debt ratio.

*Reconciliation of liabilities arising from financing activities***31 January 2021**

	At 1 February 2020 £	Cash received £	New leases £	Acquired in business combinations £	Interest accrued £	Interest paid £	Disposed lease £	Repaid in cash £	At 31 January 2021 £
Lease liabilities	70,545,378	-	43,004,094	2,941,577	2,186,612	(2,186,612)	(5,778,194)	(38,663,523)	72,049,332
Bank loan	32,800,000	-	-	-	1,035,062	(1,035,062)	-	(3,700,000)	29,100,000
Revolving credit facility	-	4,250,000	-	-	-	-	-	-	4,250,000
	<u>103,345,378</u>	<u>4,250,000</u>	<u>43,004,094</u>	<u>2,941,577</u>	<u>3,221,674</u>	<u>(3,221,674)</u>	<u>(5,778,194)</u>	<u>(42,363,523)</u>	<u>105,399,332</u>

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31 January 2022

	At 1 February 2021 £	Cash received £	New leases £	Acquired in business combinations £	Interest accrued £	Interest paid £	Disposed lease £	Repaid in cash £	At 31 January 2022 £
Lease liabilities	72,049,332	-	34,355,609	94,616	1,934,015	(1,934,015)	(3,826,617)	(43,679,969)	58,992,971
Bank loan	29,100,000	-	-	-	805,728	(805,728)	-	(3,700,000)	25,400,000
Revolving credit facility	4,250,000	3,250,000	-	-	-	-	-	-	7,500,000
	105,399,332	3,250,000	34,355,609	94,616	2,739,743	(2,739,743)	(3,826,617)	(47,379,969)	91,892,971

19. Deferred Income

Deferred income balances are contract liabilities arising from the setup activities and managed services which are billed in advance. These are released to the statement of profit or loss over the life of the contract.

The movement on deferred income can be explained as below:

	At 31 January 2022	At 31 January 2021
Deferred Income		
Opening	48,727,201	43,495,808
Fair value on acquisition	1,003,739	4,343,734
Additions	66,618,505	45,471,138
Amortised	(57,748,705)	(44,583,479)
Closing	58,600,740	48,727,201

20. Financial instruments**Classification of financial instruments**

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There were no financial instruments measured at fair value in the Statement of Financial Position at any of the reporting dates presented.

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The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Financial assets measured at amortised cost			
Trade receivables (note 13)	26,405,858	26,338,322	19,914,005
Accrued income	2,195,747	1,206,679	676,129
Contract assets (note 13)	6,864,906	4,324,821	3,834,065
Other receivables (note 13)	1,598,187	1,437,384	1,068,955
Cash and cash equivalents (note 14)	12,782,036	12,751,526	7,545,561
	<u>49,846,734</u>	<u>46,058,732</u>	<u>33,038,715</u>

All of the above financial assets' carrying values are approximate to their fair values, as at all reporting dates presented.

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Financial liabilities measured at amortised cost			
Trade payables (note 15)	15,504,843	13,738,244	11,268,229
Other payables (note 15)	3,403,568	3,393,543	2,324,244
Lease liabilities (note 17)	58,992,971	72,049,331	70,543,377
Borrowings (note 18)	21,700,000	25,400,000	29,100,000
Accruals (note 15)	6,564,151	5,013,611	2,515,472
	<u>106,165,533</u>	<u>119,594,729</u>	<u>115,753,322</u>

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at all reporting dates presented.

21. Financial instrument risk exposure and management

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 15, 16, 17, 19, 20 and 21.

Liquidity risk

Liquidity risk is dealt with in note 22 of these consolidated financial statements.

Credit risk

The Group's credit risk, being the risk that the other party defaults on their contractual obligation, is primarily attributable to its cash balances and receivables.

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The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's maximum credit risk amounts to the total of its trade receivables and cash and cash equivalents.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed based on their credit risk characteristics as rated by an external agency. Within those risk ratings they have then been further disaggregated based on days past due. The expected loss rates are based on the payment profile for sales over the past [3 years] before each reporting date as well as the corresponding historical credit losses during that period with any further adjustments considered necessary to reflect changes in circumstances.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Interest rate risk

The Group's exposure to interest rate risk is in relation to the Group's variable rate borrowings (see note 18).

A change of 1% in the SONIA rate would have increased/decreased the Group's interest charge on borrowings in the period by £277,111 (year to 31 January 2021: £422,735).

Foreign exchange risk

The Group's transactions are carried out in GBP. Fundraising transactions and operational transactions are carried out in GBP.

22. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group's activities are funded by a combination of borrowings, lease financing and equity investment. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The Group manages its liquidity needs by monitoring data consistent with that used in the contractual maturity analysis below

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 January 2022 and 2020 and 1 February 2020, on the basis of their earliest possible contractual maturity.

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	Total £	Within 2 months £	Within 2-6 months £	Within 6-12 months £	Within 1-2 years £	Within 2-5 years £	After 5 years £
At 31 January 2022							
Trade payables	15,504,843	15,504,843	-	-	-	-	-
Other payables	3,403,568	3,403,568	-	-	-	-	-
Borrowings	32,900,000	7,500,000	1,850,000	1,850,000	21,700,000	-	-
Lease liabilities	67,953,032	4,436,912	11,083,796	8,888,113	16,027,756	25,421,924	2,094,530
Accruals	9,096,523	9,096,523	-	-	-	-	-
	128,857,966	39,941,846	12,933,796	10,738,113	37,727,756	25,421,924	2,094,530

	Total £	Within 2 months £	Within 2-6 months £	Within 6-12 months £	Within 1-2 years £	Within 2-5 years £	After 5 Years £
At 31 January 2021							
Trade payables	13,738,244	13,738,244	-	-	-	-	-
Other payables	3,393,543	3,393,543	-	-	-	-	-
Borrowings	33,350,000	-	6,100,000	1,850,000	25,400,000	-	-
Lease liabilities	76,873,344	3,329,551	16,309,786	18,935,866	17,898,139	19,641,779	758,223
Accruals	7,491,627	7,491,627	-	-	-	-	-
	134,846,758	27,952,965	22,409,786	20,785,866	43,298,139	19,641,779	758,223

	Total £	Within 2 months £	Within 2-6 months £	Within 6-12 months £	Within 1-2 years £	Within 2-5 years £	After 5 Years £
At 1 February 2020							
Trade payables	11,268,229	11,268,229	-	-	-	-	-
Other payables	2,324,244	2,324,244	-	-	-	-	-
Borrowings	32,800,000	-	1,850,000	1,850,000	29,100,000	-	-
Lease liabilities	70,293,120	1,667,493	13,837,223	15,847,406	29,767,251	8,592,199	581,548
Accruals	4,363,429	4,363,429	-	-	-	-	-
	121,049,022	19,623,395	15,687,223	17,697,406	58,867,251	8,592,199	581,548

23. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Statement of Financial Position and as follows:

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	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Equity	33,700,236	20,185,226	249,991
Cash and cash equivalents	(12,782,036)	(12,751,526)	(7,545,561)
Borrowings	32,900,000	33,350,000	32,800,000
	<u>53,818,200</u>	<u>40,783,700</u>	<u>25,504,430</u>

The Board monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Group is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

24. Share capital

	At 31 January 2022 Number	At 31 January 2021 Number	At 1 February 2020 Number
Allotted, called up and fully paid			
Ordinary A shares of £0.05	544,019	541,249	540,599
Ordinary B shares of £0.05	63,595	63,017	61,767
C1 shares of £0.05	12,750	-	-
C2 shares of £0.05	3,000	-	-
C3 shares of £0.05	5,900	-	-
C4 shares of £0.05	1,000	-	-
C5 shares of £0.05	750	-	-
	<u>631,014</u>	<u>604,266</u>	<u>602,366</u>

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Allotted, called up and fully paid			
Ordinary A shares of £0.05	27,201	27,062	27,030
Ordinary B shares of £0.05	3,180	3,151	3,088
C1 shares of £0.05	638	-	-
C2 shares of £0.05	150	-	-
C3 shares of £0.05	295	-	-
C4 shares of £0.05	50	-	-
C5 shares of £0.05	38	-	-
	<u>31,551</u>	<u>30,213</u>	<u>30,118</u>

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The following shares were issued in the periods presented:

Year ended 31 January 2022

	No	Share capital £
At 1 February 2021	604,266	30,213
Allotments:		
Ordinary A shares of £0.05	2770	138
Ordinary B shares of £0.05	578	29
C1 shares of £0.05	12,750	638
C2 shares of £0.05	3,000	150
C3 shares of £0.05	5,900	295
C4 shares of £0.05	1,000	50
C5 shares of £0.05	750	38
	<hr/>	<hr/>
At 31 January 2022	631,014	31,551

Year ended 31 January 2021

	No	Share capital £
At 1 February 2020	602,366	30,118
Allotments:		
Ordinary A shares of £0.05	650	32
Ordinary B shares of £0.05	1,250	63
	<hr/>	<hr/>
At 31 January 2021	604,266	30,213

Ordinary 'A' shares carry one voting right per share and all shares rank pari passu for dividends and other distributions. Ordinary 'B' shares are non-voting ordinary shares.

25. Share based payments

The Group has made equity share based payments as defined in IFRS2 during the historical period. This standard requires that a recognised valuation methodology be employed to determine the value fair of share options granted. The details of the relevant schemes, and the valuation methodologies adopted, has been included below.

The Enterprise Management Incentive Scheme and an unapproved option scheme can be exercised at a price of £2.50. These remaining options expire in July 2022. The directors do not consider the fair value of these options to be material to the Group.

The Company Share Option Plan is an approved option scheme consisting of 8,233 options which were issued on 27 April 2015 at a price of £7.20; 650 options were issued on 4 August 2016 at a price of £30; 10,000 shares were issued between 13 January 2017 and 10 February 2017 at a price of £30; 11,745 shares were issued on 11 February 2020 at a price of £120. These expire between 2025 and 2030.

The Growth Scheme is an equity-settled share based payment scheme, comprising C shares awarded to staff, which have specific vesting conditions.

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The fair value of the share-based payment expenses for each of these instruments has been estimated using the Black-Scholes option pricing model, which relies on certain estimates. Management have applied judgement in determining the most appropriate estimate to use in the model, which have been summarised in relation to each of the instruments below.

Issue Date	11/02/2020	30/04/2021
Options Issued	11,745	23,400
Exercise price	120	-
Fair Value per Option using Black Scholes model	140	-
Expected Equity Volatility	10.82%	32.55%
Risk Free Rate of Interest	0.62	0.28
Expected Life	3	4
Share Based Payment charge	£74,143	£783,544

Details of the number of share options outstanding during each period presented are as follows:

31 January 2022	EMI Options	Unapproved	CSOP Options	Growth scheme
Outstanding at the beginning of the year	200	578	22,045	-
Issued	-	-	-	23,400
Forfeited	-	-	(1,890)	-
Exercised	-	(578)	(3,270)	(23,400)
Outstanding at the year end	<u>200</u>	<u>-</u>	<u>16,885</u>	<u>-</u>

31 January 2021	EMI Options	Unapproved	CSOP Options	
Outstanding at the beginning of the year		1,450	578	10,950
Issued		-	-	11,745
Exercised		(1,250)	-	(650)
Outstanding at the year end		<u>200</u>	<u>578</u>	<u>22,045</u>

Details of the number of Growth Scheme shares awarded during FY 2021/22 are as follows:

31 January 2022	Growth scheme
Outstanding at the beginning of the year	-
Awarded during the year	<u>23,400</u>
Outstanding at the year end	<u>23,400</u>

26. Related party transactions

Key management personnel are identified as the Group Board of Directors, and their remuneration is disclosed in note 5.

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27. Business Combinations**Year to 31 January 2022**

	100% Share capital Xpertex Limited
	£
Fair value of consideration transferred	
Amount settled in cash	6,391,030
Total	<u><u>6,391,030</u></u>

Acquisition-related costs amounting to £337,162 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

	£
Recognised amounts of identifiable net assets:	
Goodwill	5,383,672
Intangible assets – trade names	325,260
Intangible assets – customer relationships	664,915
Property, plant and equipment	112,445
Total non-current assets	<u>6,486,292</u>
Trade and other receivables	1,476,234
Cash	1,185,371
Total current assets	<u>2,661,606</u>
Total current liabilities	<u>(2,297,801)</u>
Lease liabilities	(94,616)
Provisions	(117,000)
Deferred tax	(247,451)
Total non-current liabilities	<u>(459,067)</u>
Identifiable net assets	<u><u>6,391,030</u></u>
	£
Net cash outflow on acquisition of subsidiary	
Consideration paid in cash	6,391,030
Less: cash and cash equivalent balances acquired	(1,185,371)
Total	<u><u>5,205,659</u></u>

Post-acquisition contribution

The acquisition of Xpertex Ltd contributed £3,262,889 revenue and £400,628 profit before tax to the Group's results for the year acquired.

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Year to 31 January 2021

	100% Share capital Vysiion Limited
	£
Fair value of consideration transferred	
Amount settled in cash	20,466,755
Deferred consideration	1,234,076
Total	<u><u>21,700,831</u></u>
	£
Recognised amounts of identifiable net assets:	
Goodwill	16,100,055
Intangible assets – trade names	1,021,224
Intangible assets – customer relationships	7,544,393
Other intangible assets	251,740
Property, plant and equipment	3,525,494
Total non-current assets	<u>28,442,906</u>
Trade and other receivables	7,608,735
Cash	119,497
Total current assets	<u>7,728,232</u>
Trade & other payables	(10,684,260)
Total current liabilities	<u>(10,684,260)</u>
Lease liabilities	(2,941,577)
Deferred tax	(844,469)
Total non-current liabilities	<u>(3,786,046)</u>
Identifiable net assets	<u><u>21,700,832</u></u>
	£
Net cash outflow on acquisition of subsidiary	
Consideration paid in cash	20,466,755
Less: cash and cash equivalent balances acquired	(119,497)
Total	<u><u>20,347,258</u></u>

Post-acquisition contribution

The acquisition of Vysiion Ltd contributed £20,620,986 revenue and £2,217,768 profit before tax to the Group's results for the year acquired.

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28. Financial commitments

There were no significant financial commitments at any of the reporting dates presented.

29. Post balance sheet events

There are no post balance sheet events to be disclosed.

30. Transition to IFRS

This is the first time that the Group has presented financial information under IFRS, and the accounting policies set out herein have been applied in preparing the consolidated financial statements for the year ended 31 January 2022, the comparative information presented and in the preparation of an opening IFRS statement of financial position at 1 February 2020 (the Group's date of transition).

The previously published financial statements were prepared under UK GAAP (FRS 102).

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

IFRS 1 First-Time Adoption of IFRS's

The Group has applied the following optional elections under IFRS 1 First-Time Adoption of IFRS

- Measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

IFRS transition adjustments

The reconciliations in the following tables show the effect of the IFRS adjustments applied to the consolidated financial statements at the date of transition (1 February 2020), and the comparative statement of financial position (31 January 2021) and income statements for the comparative year. The only changes arising to the cash flow statement are as a result of the IFRS 16 leases recognition – resulting in changes to operating and financing cash flows due for lease payments, so no reconciliation is presented as a result of transition to IFRS.

A number of adjustments have arisen during the transition; some of which are FRS 102 restatement adjustments, in addition to IFRS transition adjustments. These are separately identified in the following reconciliation tables, with further detail of the components of these adjustments shown in the FRS 102 and IFRS adjustment summaries presented beneath the respective reconciliation tables.

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Statement of Financial Position – Reconciliation to FRS 102 at transition – 1 February 2020

	FRS 102 £	FRS 102 adjustments £	Restated FRS 102 £	IFRS adjustments £	IFRS £
Assets					
Non-current assets					
Intangible assets	3,862,666	-	3,862,666	-	3,862,666
Property, plant and equipment	48,992,109	-	48,992,109	(15,900,411)	33,091,698
Right of use assets	-	-	-	88,345,326	88,345,326
Deferred tax asset	24,118	-	24,118	3,560,222	3,584,340
	<u>52,878,893</u>	<u>0</u>	<u>52,878,893</u>	<u>76,005,137</u>	<u>128,884,030</u>
Current assets					
Inventory	665,804	-	665,804	-	665,804
Trade and other receivables	36,635,290	-	36,635,290	(2,524,844)	34,110,446
Cash and cash equivalents	7,545,561	-	7,545,561	-	7,545,561
	<u>44,846,655</u>	<u>-</u>	<u>44,846,655</u>	<u>(2,524,844)</u>	<u>42,321,811</u>
Current liabilities					
Trade and other payables	21,730,787	(1,767,000)	19,963,787	(233,462)	19,370,325
Lease liabilities	1,007,852	-	1,007,852	27,770,956	28,778,808
Current tax payable	2,430,447	-	2,430,447	-	2,430,447
Deferred income	21,826,211	-	21,826,211	10,158,312	31,984,523
Borrowings	3,700,000	-	3,700,000	-	3,700,000
	<u>50,695,297</u>	<u>(1,767,000)</u>	<u>48,928,297</u>	<u>37,695,806</u>	<u>86,624,103</u>
Non-current liabilities					
Lease liabilities	1,408,994	-	1,408,994	40,357,576	41,766,570
Borrowings	29,100,000	-	29,100,000	-	29,100,000
Deferred income	-	-	-	11,511,285	11,511,285
Provisions	1,953,894	-	1,953,894	-	1,953,894
	<u>32,462,888</u>	<u>0</u>	<u>32,462,888</u>	<u>51,868,861</u>	<u>84,331,749</u>
Net assets / (liabilities)	<u>14,567,363</u>	<u>1,767,000</u>	<u>16,334,363</u>	<u>(16,084,372)</u>	<u>249,991</u>
Equity					
Share capital	30,118	-	30,118	-	30,118
Share premium	1,113,815	-	1,113,815	-	1,113,815
Share based payment reserve	-	0	-	298,233	298,233
Capital redemption reserve	25,401	-	25,401	-	25,401
Retained earnings / (losses)	13,398,029	1,767,000	15,165,029	(16,382,605)	(1,217,576)
Shareholders' funds / (deficit)	<u>14,567,363</u>	<u>1,767,000</u>	<u>16,334,363</u>	<u>(16,084,372)</u>	<u>249,991</u>

Exponential-e Limited

FRS 102 adjustments	Dividend	Total FRS 102
	accrual	adjustments
	reversed	
	A	
	£	£
Trade and other payables	1,767,000	1,767,000
Retained earnings / (losses)	<u>(1,767,000)</u>	<u>(1,767,000)</u>

A. Dividend accrual reversal

Dividends previously accrued have been adjusted to reflect the timing of the period in which the amount of the dividend was declared.

IFRS adjustments	IFRS 16 right of use lease recognition	IFRS 15 revenue recognition	IFRS Tax Adjustment	Total IFRS adjustments
	1	2	3	
	£	£	£	£
Property, plant and equipment	(15,900,411)			(15,900,411)
Right of use assets	88,345,326			88,345,326
Trade and other receivables	(4,549,846)	2,025,002		(2,524,844)
Trade and other payables	233,462			233,462
Lease liabilities - current	(27,770,956)			(27,770,956)
Deferred income - current		(10,158,313)		(10,158,313)
Lease liabilities - non-current	(40,357,576)			(40,357,576)
Deferred Tax Asset			3,560,223	3,560,223
Share Based Payment reserve			(298,233)	(298,233)
Deferred income - non-current		(11,511,285)		(11,511,285)
Retained losses		19,644,595	(3,261,990)	16,382,605

1. IFRS 16 right of use lease recognition

IFRS 16 has been implemented from the transition date, resulting in adjustments to property, plant and equipment to recognise the right of use lease assets and to prepayments to remove previously recognised rent prepayments. Corresponding lease liabilities have also been recognised along with immaterial tax adjustments arising. The Group has taken the IFRS 1 exemption in relation to the adoption of IFRS 16, thereby measuring the opening lease liability at transition to IFRS at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

2. IFRS 15 revenue recognition

IFRS 15 has been implemented from the transition date, resulting in adjustments to revenue, accrued and deferred income and associated adjustments to cost of sales and other administrative costs. In applying IFRS 15 for the first time, the Group has applied the modified retrospective approach, retaining prior year figures as reported under FRS 102 and recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application, being the date of transition to IFRS.

The outcome was that income is generally recognised later than it had been under FRS 102 because of delayed amounts relating to installation periods. In applying IFRS 15, it was determined the installation

Exponential-e Limited

components are not deemed to constitute a distinct performance obligation because no distinct good or service is transferred to the customer, but instead are a necessary setup activity to enable the provision of the ongoing managed service. Therefore amounts billed in respect of this part of the work are allocated to the service performance obligation to which they relate and recognised over the life of the managed service contract. The impact on transition resulted in recognition of a deferred income balance at the transition date statement of financial position and a reduction in retained earnings at this date to reflect the deferral of installation revenue which had been recognized under FRS 102. In addition, there has been a reduction in trade and other receivables, as installation revenue accrued during the installation delivery under FRS 102, is now, under IFRS 15, recognised over the life of the managed service contract beginning from the point of service commencement.

Furthermore, the 31 January 2021 comparative statement of financial position, and income statement have been restated to reflect the impact of the delayed revenue recognition for amounts previously recognized for installation services and components.

3. IFRS Tax adjustment

Following the adjustments above, tax for the year has been recalculated, resulting in the recognition of an increased deferred tax asset.

Exponential-e Limited

Statement of Financial Position – Reconciliation to FRS 102 at 31 January 2021

	FRS 102 £	FRS 102 adjustments £	Restated FRS 102 £	IFRS adjustments £	IFRS £
Assets					
Non-current assets					
Goodwill	20,315,081	0	20,315,081	(4,215,025)	16,100,056
Intangible assets	3,667,524	-	3,667,524	7,884,414	11,551,938
Property, plant and equipment	52,054,464	-	52,054,464	(16,529,609)	35,524,855
Right of use assets	-	-	-	87,015,552	87,015,552
Deferred Tax Asset	423,196	0	423,196	3,227,309	3,650,505
	<u>76,460,265</u>	<u>0</u>	<u>76,460,265</u>	<u>77,382,641</u>	<u>153,842,906</u>
Current assets					
Inventory	1,780,242	-	1,780,242	-	1,780,242
Trade and other receivables	45,452,826	-	45,452,826	(4,421,322)	41,211,506
Current tax receivable	-	-	-	-	-
Cash and cash equivalents	12,751,526	-	12,751,526	-	12,751,526
	<u>59,984,594</u>	<u>-</u>	<u>59,984,594</u>	<u>(4,421,322)</u>	<u>55,743,274</u>
Current liabilities					
Trade and other payables	35,218,645	(1,968,683)	33,249,962	(2,164,421)	31,085,543
Deferred consideration	541,043	-	541,043	-	541,043
Lease liabilities	1,567,508	-	1,567,508	32,741,456	34,308,964
Current tax payable	109,247	0	109,247	70,684	179,931
Deferred income	25,242,105	54,909	25,297,014	10,874,218	36,171,232
Provisions	7,950,000	-	7,950,000	-	7,950,000
	<u>70,628,548</u>	<u>(1,913,774)</u>	<u>68,714,774</u>	<u>41,521,939</u>	<u>110,236,713</u>
Non-current liabilities					
Lease liabilities	2,118,657	-	2,118,657	35,621,711	37,740,368
Borrowings	25,400,000	-	25,400,000	-	25,400,000
Deferred consideration	541,043	-	541,043	-	541,043
Deferred income	-	173,081	173,081	12,382,888	12,555,969
Provisions	3,210,685	(227,990)	2,982,695	(55,833)	2,926,861
	<u>31,270,385</u>	<u>(54,909)</u>	<u>31,215,476</u>	<u>47,948,765</u>	<u>79,164,241</u>
Net assets / (liabilities)	<u>34,545,926</u>	<u>1,968,683</u>	<u>36,514,609</u>	<u>(16,329,383)</u>	<u>20,185,226</u>
Equity					
Share capital	30,213	-	30,213	-	30,213
Share premium	1,136,345	-	1,136,345	-	1,136,345
Share based payment reserve	0	74,143	74,143	359,789	433,932
Capital redemption reserve	25,401	-	25,401	-	25,401
Retained earnings / (losses)	33,353,967	1,894,540	35,248,507	(16,689,172)	18,559,335
Shareholders' funds / (deficit)	<u>34,545,926</u>	<u>1,968,683</u>	<u>36,514,609</u>	<u>(16,329,383)</u>	<u>20,185,226</u>

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FRS 102 adjustments	Reclassify		Reclassify warranty provision	Dividend accrual reversed	Accrue cost of sale	Total FRS 102 adjustments
	Exceptional admin expenses	share based payments				
	A	B				
	£	£	C	D	E	£
Trade and other payables	(217,500)	-	-	2,212,938	(26,755)	1,968,383
Deferred income – current	-	-	(54,909)	-	-	(54,909)
Deferred income – non-current	-	-	(173,081)	-	-	(173,081)
Provisions	-	-	227,990	-	-	227,990
Share based payment reserve	-	(74,143)	-	-	-	(74,143)
Retained earnings / (losses)	217,500	74,143	-	(2,212,938)	26,755	(1,894,540)

A. Exceptional administrative expenses

These expenses relate to the professional and advisory fees incurred during the transition to IFRS reporting.

B. Reclassification of share based payments

The previously recognised share based payments have been reclassified into a separate reserve.

C. Reclassification of warranty provision

The previously recognised warranty provision has been reclassified to Deferred Income as it represents a deferral of revenue rather than a provisions of cost.

D. Dividend accrual reversal

Dividends previously accrued have been adjusted to reflect the timing of the period in which the amount of the dividend was declared.

E. Accrue cost of sale

Accrual for costs of sale incurred in the period.

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IFRS adjustments	Reverse amortisation of goodwill	Expense business acquisition expenses	Reassessment of intangibles under IFRS 3	IFRS 16 right of use lease recognition	Impairment of receivables	IFRS 15 revenue recognition	IFRS Tax Adjustment	Total IFRS adjustments
	1	2	3	4	5	6	7	
	£	£	£	£	£	£	£	£
Goodwill	2,050,146	(411,634)	(6,938,150)			1,084,612		(4,215,026)
Intangible Asset			7,884,414					7,884,414
PPE				(16,529,608)		0		(16,529,608)
Right of use Asset				87,015,552				87,015,552
Deferred tax Asset			(1,498,039)				4,725,347	3,227,308
Trade & other receivables				(5,030,134)	150,427	638,385		(4,241,322)
Trade & other payables				2,164,422				2,164,422
Lease Liabilities – current				(32,741,456)				(32,741,456)
Deferred income – current						(10,874,218)		(10,874,218)
Lease liabilities – non-current				(35,621,711)				(35,621,711)
Deferred income - non-current						(12,382,888)		(12,382,888)
Provisions				55,833				55,833
Share Based Payment							(359,789)	(359,789)
Corporation Tax							(70,684)	(70,684)
Retained losses	(2,050,146)	411,634	551,775	687,102	(150,427)	21,534,109	(4,294,874)	16,689,173

1. Goodwill amortisation

IFRS does not allow for the amortisation of goodwill, therefore any goodwill amortisation recognised since the transition date under FRS 102 has been reversed.

2. Business acquisition expenses

Unlike FRS 102, IFRS does not allow business acquisition expenses to be included in the consideration calculation used to determine the value of net assets acquired. An adjustment therefore arises to move these to exceptional administrative expenses in the period in which they are incurred.

3. Reassessment of intangibles acquired in business combinations

A review of the business combinations completed since the date of transition to IFRS has resulted in revisions to the amounts of separably identifiable intangible assets included in business combinations, and therefore also subsequent amortisation of intangible assets. The tax impact arising from these adjustments have also been recognised, including netting the previously recognized deferred tax asset against the new deferred tax liability.

4. IFRS 16 right of use lease recognition

IFRS 16 has been implemented from the transition date, resulting in adjustments to property, plant and equipment to recognise the right of use lease assets and to prepayments to remove previously recognised rent prepayments. Corresponding lease liabilities have also been recognised along with immaterial tax adjustments arising. The Group has taken the IFRS 1 exemption in relation to the adoption of IFRS 16, thereby measuring the opening lease liability at transition to IFRS at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

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5. IFRS 9 Impairment of receivables

The impairment of receivables has been reviewed under IFRS 9 and adjustments made accordingly.

6. IFRS 15 revenue recognition

The reason for the change is consistent with the reasons for the change described on page 67 above.

7. IFRS Tax adjustment

Following the adjustments above, tax for the year has been recalculated, resulting in the recognition of an increased deferred tax asset.

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Statement of Comprehensive Income – Reconciliation to FRS 102 for the year ended 31 January 2021

	FRS 102 £	FRS 102 adjustments £	Restated FRS 102 £	IFRS adjustments £	IFRS £
Revenue	171,782,140	-	171,782,140	(1,696,376)	170,085,764
Cost of sales	(73,492,899)	3,716,911	(69,775,988)	2,782,233	(66,993,755)
Gross profit	98,289,241	3,716,911	102,006,152	1,085,857	103,092,009
Other administrative expenses	(70,636,325)	(3,739,027)	(74,375,352)	277,455	(74,097,897)
Non-recurring expenses	(138,112)	(217,500)	(355,612)	(411,634)	(767,246)
Total administrative expenses	(70,774,437)	(3,956,527)	(74,730,964)	(134,179)	(74,865,143)
Other operating income	754,794	-	754,794	-	754,794
EBITDA	46,817,672	(239,616)	46,578,056	37,656,968	84,235,024
Depreciation and amortisation	(18,548,074)	-	(18,548,074)	(36,705,291)	(55,253,365)
Operating profit	28,269,598	(239,616)	28,029,982	951,677	28,981,659
Interest income	21	-	21	-	21
Interest payable and similar charges	(1,048,620)	-	(1,048,620)	(2,171,868)	(3,220,488)
Profit before tax	27,220,999	(239,616)	26,981,383	(1,220,190)	25,761,193
Taxation	(5,131,749)	0	(5,131,749)	908,984	(4,222,765)
Profit for the financial year	22,089,250	(239,616)	21,849,634	(311,206)	21,538,428

FRS 102 adjustments	Exceptional admin expenses A £	Accrued cost of sale B £	Reclassification C £	Total FRS 102 adjustments £
Revenue				
Cost of sales		(22,116)	3,739,027	3,716,911
Other administrative expenses			(3,739,027)	(3,739,027)
Exceptional administrative expenses	(217,500)			(217,500)
	(217,500)	(22,116)	-	(217,500)

A. Exceptional administrative expenses

These expenses relate to the professional and advisory fees incurred during the transition to IFRS reporting.

B. Accrued cost of sale

Accrual for costs of sale incurred in the period.

C. Reclassification between administrative expenses and cost of sales

This adjustment relates to depreciation of assets used directly in supplying services to customers: previously all depreciation expense was included within administrative expenses.

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IFRS adjustments	Reverse amortisation of goodwill	Expense business acquisition expenses	Reassessment of intangibles under IFRS 3	IFRS 16 right of use lease recognition	Impairment of receivables	IFRS 15 revenue recognition	IFRS Tax Adjustments	Total IFRS adjustments
	1	2	2	3	5	6	7	
	£	£	£	£	£	£	£	£
Revenue						(1,696,376)		(1,696,376)
Cost of sales				2,327,396		454,839		2,782,236
Other administrative expenses	2,050,146		(681,203)	(923,313)	(178,166)	9,989		277,454
Exceptional administrative expenses		(411,634)						(411,634)
Interest payable and similar charges				(2,171,868)				(2,171,868)
Taxation			129,428				779,555	908,983
	2,050,146	(411,634)	(551,775)	(767,785)	(178,166)	(1,231,548)	779,555	(311,205)

1. Goodwill amortisation

IFRS does not allow for the amortisation of goodwill, therefore any goodwill amortisation recognised since the transition date under FRS 102 has been reversed.

2. Business acquisition expenses

Unlike FRS 102, IFRS does not allow business acquisition expenses to be included in the consideration calculation used to determine the value of net assets acquired. An adjustment therefore arises to move these to exceptional administrative expenses in the period in which they are incurred.

3. Reassessment of intangibles acquired in business combinations

A review of the business combinations completed since the date of transition to IFRS has resulted in revisions to the amounts of separably identifiable intangible assets included in business combinations, and therefore also subsequent amortisation of intangible assets. The tax impact arising from these adjustments have also been recognised.

4. IFRS 16 right of use lease recognition

IFRS 16 has been implemented from the transition date, resulting in adjustments to property, plant and equipment to recognise the right of use lease assets and to prepayments to remove previously recognised rent prepayments. Corresponding lease liabilities have also been recognised along with immaterial tax adjustments arising. The Group has taken the IFRS 1 exemption in relation to the adoption of IFRS 16, thereby measuring the opening lease liability at transition to IFRS at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

5. IFRS 9 Impairment of receivables

The impairment of receivables has been reviewed under IFRS 9 and adjustments made accordingly.

6. IFRS 15 revenue recognition

The reason for the change is consistent with the reasons for the change described on page 67 above.

8. IFRS Tax adjustment

Following the adjustments above, tax for the year has been recalculated, resulting in the recognition of an increased deferred tax asset.

Exponential-e Limited

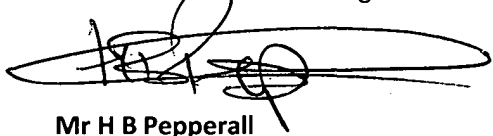
Company Statement of Financial Position

	Notes	At 31 January 2022 £	At 31 January 2021 £
Assets			
Non-current assets			
Investments	2	25,881,466	19,150,726
Intangible assets	3	2,888,727	3,357,330
Property, plant and equipment	4	40,840,602	33,601,067
Right of use assets	4	69,286,364	83,318,237
Deferred tax asset		0	4,424,244
		<u>138,897,159</u>	<u>143,851,604</u>
Current assets			
Inventory		642,985	1,514,075
Trade and other receivables	5	42,557,036	37,091,395
Current tax receivable		8,346,554	0
Cash and cash equivalents	6	8,708,568	11,678,826
		<u>60,255,143</u>	<u>50,284,296</u>
Current liabilities			
Trade and other payables	7	25,228,527	26,907,897
Deferred consideration		541,043	541,043
Lease liabilities	9	15,780,271	33,262,710
Current tax payable		0	179,931
Deferred income		35,070,476	33,250,866
Borrowings	10	11,200,000	7,950,000
		<u>87,820,317</u>	<u>102,092,447</u>
Non-current liabilities			
Lease liabilities	9	37,446,011	35,066,260
Borrowings	10	21,700,000	25,400,000
Deferred consideration		-	541,043
Deferred income		18,349,908	9,855,826
Provisions	8	1,835,010	2,220,462
Deferred tax		1,696,336	0
		<u>81,027,265</u>	<u>73,083,591</u>
Net assets / (liabilities)		<u>30,304,720</u>	<u>18,959,862</u>
Equity			
Share capital	11	31,551	30,213
Share premium		1,201,952	1,136,345
Share based payment reserve		1,435,503	433,932
Capital redemption reserve		25,401	25,401
Retained earnings / (losses):			
Opening retained earnings / (losses):		17,333,972	(1,217,576)
Profit for the year		12,491,908	20,313,065
Dividends		(2,215,567)	(1,761,517)
Total retained earnings		<u>27,610,313</u>	<u>17,333,972</u>
Shareholders' funds		<u>30,304,720</u>	<u>18,959,862</u>

The notes to these financial statements form an integral part of these financial statements.

Exponential-e Limited

The financial statements were approved by the Board of Directors and authorised for their issue on 11th October 2022, and were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'H B Pepperall', written over a horizontal line.

Mr H B Pepperall

Director

Registered number: 04499567

Exponential-e Limited

Company Statement of Changes in Equity

	Share capital £	Share premium £	Share based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 February 2020	30,118	1,113,815	298,233	25,401	(1,217,576)	249,991
Comprehensive income for the year						
Profit for the year	-	-	-	-	20,313,065	20,313,065
	-	-	-	-	20,313,065	20,313,065
Transactions with owners						
Issue of shares (note 25)	95	22,530	-	-	-	22,625
Dividends	-	-	-	-	(1,761,517)	(1,761,517)
Share-based payments (note 26)	-	-	135,699	-	-	135,699
	95	22,530	135,699	0	(1,761,517)	(1,603,193)
At 31 January 2021	30,213	1,136,345	433,932	25,401	17,333,971	18,959,862
Comprehensive income for the year						
Profit for the year	-	-	-	-	12,491,908	12,491,908
	-	-	-	-	12,491,908	12,491,908
Transactions with owners						
Issue of shares (note 25)	1,338	65,608	-	-	-	66,945
Dividends	-	-	-	-	(2,215,567)	(2,215,567)
Share-based payments (note 26)	-	-	1,001,571	-	-	1,001,571
	1,338	65,608	1,001,571	0	(2,215,567)	(1,147,050)
At 31 January 2022	31,551	1,201,952	1,435,503	25,401	27,610,313	30,304,720

The notes to these financial statements form an integral part of these financial statements.

Exponential-e Limited

Notes to the Parent Company Financial Statements for the year ended 31 January 2022

1. Accounting Policies

Basis of Preparation

The annual financial statements of Exponential-e Limited (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The company has taken advantage of the provisions in FRS 101 53A allowing it to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats, applying the relevant presentation requirements of IAS 1 Presentation of Financial Statements.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain disclosures regarding the company's capital;
- a statement of cash flows;
- Opening Balance Sheet as at 1st February 2020
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value)
- Related party transactions
- Share-based payments

As permitted by section 408 of Companies Act 2006, a separate Income Statement for the Company has not been included in these financial statements. The Company's profit for the year ended 31 January 2022 was £12,491,908 (2021: £20,313,065).

IFRS transition

The Company has adopted FRS 101 for the first time in these financial statements. FRS 102 was previously applied to all periods presented. The date of transition to FRS 101 was 1 February 2020. The requirements of IFRS 1 'First-Time Adoption of International Financial Reporting Standards' have been applied.

IFRS 1 allows certain exemptions in the application of particular IFRS to prior periods in order to assist companies with the transition process. The exemptions applied are detailed in note 1 above.

Further details and the reconciliations between the previously reported UK GAAP (FRS 102) numbers to those presented under FRS 101 are given in note 13.

Going Concern

The financial statements report a net asset position of £30,304,720 (2021: £18,959,863).

In considering the going concern assumption, the Directors have reached their conclusion based on assessing future trading forecasts to the end of October 2023 as well as the balance sheet position at the date of signature of the financial statements.

Exponential-e Limited

The Group's business activities, its principal risks and uncertainties, together with details of its financial instruments, exposure to credit & liquidity risk, and its approach to financial risk management, are set out in the Strategic Report on pages 4-11. The financial position of the Company and its cash flows are set out in the financial statements below.

The Parent company has a high degree of certainty on future revenue generation, thanks to a very high proportion of its revenue being derived from long-term contracts across a large number of customers and industries. Having achieved a record sales year in FY 2021/22, the company expects to see growth in revenue in FY 2022/23 as the pipeline of contracts won are delivered and begin to generate revenue & cash.

The FY 2022/23 forecast is therefore for continued growth, supported by this strong pipeline of deliveries and future sales.

In spite of the risks inherent in its market and the wider economy, the directors believe that the company is well placed to manage its business risks successfully, and is comfortable that it has adequate facilities in place to meet its financial obligations as and when they fall due, with £8.7m cash and a £22.5m undrawn revolving credit facility available as at 31 January 2022.

The Group performs detailed forecasting and extensive scenario analysis, to understand the expected future performance of the business and its resilience to risks.

A sensitivity analysis and reverse stress test has been performed for both the Group and each individual entity, assessing a number of key inputs, resulting in a range of outcomes of financial performance and cashflow for the 12 months following the date of signature of these financial statements.

The sensitivity analysis factors in two main drivers: new business sales measured as 'first year revenue', and the rate of customer cancellations. Having performed a reverse stress test it was determined that the set of conditions required to result in the company not being able to operate as a going concern are extremely unlikely. As such the directors are confident that the assumptions underlying the company's forecasts are reasonable and that they will be able to operate on a going concern basis.

Revenue

The accounting policy for revenue is included in the Group accounting policies set out in note 1 to the Group accounts.

Government grants

The accounting policy for government grants is included in the Group accounting policies set out in note 1 to the Group accounts.

Pensions

The accounting policy for the defined contribution pension plan in which the company's employees participate is included in the Group accounting policies set out in note 1 to the Group accounts.

Share-based payments

The accounting policy for share-based payments is included in the Group accounting policies set out in note 1 to the Group accounts.

Taxation

The accounting policies for current and deferred tax are included in the Group accounting policies set out in note 1 to the Group accounts.

Investments

When the Company acquires investments in subsidiaries they are initially recorded at cost and subsequently reviewed for impairment if there are any indicators, in line with the Group's accounting policy for impairment set out in note 1 of the Group accounts.

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Intangible assets

The accounting policy for intangible assets is included in the Group accounting policies set out in note 1 to the Group accounts.

Property, plant, and equipment

The accounting policy for property, plant and equipment is included in the Group accounting policies set out in note 1 to the Group accounts.

Impairment of non-financial assets

The accounting policy for impairment of non-financial assets is included in the Group accounting policies set out in note 1 to the Group accounts.

Cash and cash equivalents

The accounting policy for cash and cash equivalents is included in the Group accounting policies set out in note 1 to the Group accounts.

Provisions for liabilities

The accounting policy for provisions is included in the Group accounting policies set out in note 1 to the Group accounts.

Financial instruments

The Company has financial assets and liabilities held at amortised cost. The accounting policy for these financial instruments is included in the Group accounting policies set out in note 1 to the Group accounts.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share-based payment reserve" represents the accumulated value of share-based payments.
- "Retained earnings / losses" represents the accumulated profits and losses attributable to equity shareholders.

2. Investments

	Investments in Subsidiaries
	£
Cost	
As at 1 February 2020	-
Additions	19,150,726
As at 31 January 2021	<u>19,150,726</u>
Additions	6,730,740
As at 31 January 2022	<u><u>25,881,466</u></u>

The Company's subsidiaries are detailed in note 11 to the consolidated financial statements, and note 27 which details the acquisitions that gave rise to the increase in investments.

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3. Intangible assets

	Development costs £	Software licencing £	Total £
Cost			
At 1 February 2020	2,315,372	2,937,634	5,253,006
Additions	698,447		698,447
At 31 January 2021	3,013,819	2,937,634	5,951,453
Additions	966,711		966,711
At 31 January 2022	3,980,530	2,937,634	6,918,164
Amortisation			
At 1 February 2020	931,120	459,220	1,390,340
Charge for the year	741,263	367,203	1,108,467
Impairment	-	95,317	95,317
At 31 January 2021	1,672,383	921,740	2,594,124
Charge for the year	688,493	348,453	1,036,946
Impairment	-	398,367	398,367
At 31 January 2022	2,360,876	1,668,561	4,029,437
Net book value			
At 31 January 2022	1,619,654	1,269,073	2,888,727
At 31 January 2021	1,341,436	2,015,894	3,357,330
At 1 February 2020	1,384,252	2,478,414	3,862,666

Amortisation is recognised within administrative expenses in the income statement.

An impairment loss of £398,367 (2021: £95,317) was recognised for software licencing.

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4. Property, plant and equipment

	Leasehold property improvements £	Customer CPE £	Core infrastructure £	Office equipment £	Total £
Cost					
At 1 February 2020	826,283	34,854,640	38,596,366	1,632,245	75,909,535
Additions	31,890	6,774,656	4,325,363	95,403	11,227,312
Disposals	-	-	-	-	-
At 31 January 2021	858,173	41,629,296	42,921,730	1,727,648	87,136,847
Additions	10,836	15,234,126	4,836,238	190,956	20,272,156
Disposals	-	-	-	-	-
At 31 January 2022	869,009	56,863,422	47,757,968	1,918,604	107,409,003
Depreciation					
At 1 February 2020	638,937	21,287,190	19,614,237	1,277,473	42,817,837
Charge for the year	64,251	6,463,777	4,030,941	158,973	10,717,943
Disposals	-	-	-	-	-
At 31 January 2021	703,188	27,750,968	23,645,178	1,436,446	53,535,780
Charge for the year	36,258	8,412,247	4,421,031	163,085	13,032,621
Disposals	-	-	-	-	-
At 31 January 2022	739,446	36,163,215	28,066,209	1,599,531	66,568,401
Net book value					
At 31 January 2022	129,563	20,700,207	19,691,759	319,073	40,840,602
At 31 January 2021	154,985	13,878,328	19,276,552	291,202	33,601,067
At 1 February 2020	187,346	13,567,450	18,982,129	354,773	33,091,698

	Right of use lease assets (offices) £	Right of use lease assets (Customer Infrastructure & equipment) £	Right of use lease assets (Core infrastructure) £	Right of use lease assets (data centres) £	Right of use lease assets (motor vehicles) £	Total £
Cost						
At 1 Feb 2020	0	72,712,385	23,129,535	7,294,217	0	103,136,138
Additions	12,847,469	24,792,630	2,974,054	160,552	27,904	40,802,608
Disposals Cost	0	(9,595,817)	(432,623)	0	0	(10,028,440)
At 31 Jan 2021	12,847,469	87,909,198	25,670,966	7,454,769	27,904	133,910,306
Additions	0	21,267,206	1,029,674	8,405,999	147,696	30,850,574
Disposals Cost	0	(11,698,304)	(313,466)	0	0	(12,011,771)
At 31 Jan 2022	12,847,469	97,478,099	26,387,174	15,860,768	175,600	152,749,110
Depreciation						
At 1 Feb 2020	0	8,082,483	6,708,329	0	0	14,790,812
Charge for the period	2,096,539	27,517,607	6,055,253	3,665,411	2,325	39,337,135
Disposals Depreciation	0	(3,476,812)	(59,067)	0	0	(3,535,879)
At 31 Jan 2021	2,096,539	32,123,278	12,704,516	3,665,411	2,325	50,592,068

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Charge for the period	2,695,578	28,365,372	6,259,784	3,166,621	42,556	40,529,912
Disposals	0	(7,433,215)	(226,020)	0	0	(7,659,235)
Depreciation						
At 31 Jan 2022	<u>4,792,117</u>	<u>53,055,435</u>	<u>18,738,280</u>	<u>6,832,032</u>	<u>44,881</u>	<u>83,462,746</u>
Net book value						
At 31 Jan 2022	<u>8,055,352</u>	<u>44,422,664</u>	<u>7,648,893</u>	<u>9,028,736</u>	<u>130,719</u>	<u>69,286,364</u>
At 31 Jan 2021	<u>10,750,930</u>	<u>55,785,920</u>	<u>12,966,451</u>	<u>3,789,358</u>	<u>25,578</u>	<u>83,318,237</u>
At 1 Feb 2020	<u>0</u>	<u>64,629,903</u>	<u>16,421,206</u>	<u>7,294,217</u>	<u>0</u>	<u>88,345,326</u>

Depreciation relating to customer infrastructure & equipment is recognised within Cost of Sales. All other depreciation is recognised within administrative expenses in the income statement.

Right of use assets as disclosed in the table above arise from lease agreements, as disclosed in note xx. These right of use assets are pledged as security for the corresponding lease liabilities.

In addition, bank borrowings are secured by a fixed and floating charge over all the Group's assets, including property, plant and equipment.

5. Trade and other receivables

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Trade and other receivables			
Trade receivables	22,426,853	22,394,942	19,914,005
Accrued income	1,161,604	638,033	676,129
Contract assets	6,700,122	4,206,619	3,834,065
Amounts due from Group undertakings	1,161,894	1,046,970	-
Other receivables	1,520,874	1,418,068	1,068,955
Prepayments	9,585,689	7,386,763	8,617,292
	<u>42,557,036</u>	<u>37,091,395</u>	<u>34,110,446</u>

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6. Cash and cash equivalents

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Cash at bank (GBP)	8,708,568	11,678,826	7,545,561

7. Trade and other payables

	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Current			
Trade payables	12,201,866	12,272,869	11,268,229
Other tax and social security	2,448,174	5,748,383	1,774,423
Other payables	3,203,531	3,329,710	2,324,244
Amounts due to Group undertakings	257,970	87,644	-
Accruals	7,116,987	5,469,290	4,363,429
	<u>25,228,527</u>	<u>29,907,896</u>	<u>19,730,325</u>

8. Provisions

At 31 January 2022	Renewal provision £
Current	
Balance at 1 February 2021	2,220,462
Utilised during the year	(1,439,047)
Provided during the year	<u>1,053,595</u>
At 31 January 2022	<u>1,835,010</u>
At 31 January 2021	Renewal provision £
Current	
Balance at 1 February 2020	1,953,894
Utilised during the year	(1,682,426)
Provided during the year	<u>1,948,994</u>
At 31 January 2021	<u>2,220,462</u>

Details of provisions are given in note 16 of the Group financial statements.

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9. Leases

Right of use assets

	At 31 January 2022 £	At 31 January 2021 £
Additions to right of use assets	30,850,574	40,802,608
Disposals from right-of-use assets	(4,352,536)	(6,492,561)
Depreciation charge – right of use assets	(40,529,912)	(39,337,135)
Carrying amount at the beginning of the year – right of use assets:	<u>83,318,237</u>	<u>88,345,326</u>
Carrying amount at the end of the year - right of use assets:	<u>69,286,363</u>	<u>83,318,238</u>

	At 31 January 2022 £	At 31 January 2021 £
Interest expense on lease liabilities	1,781,728	2,090,285
Total cash outflow for leases	43,908,372	39,339,699

Lease liabilities	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Current	15,780,271	33,262,710	28,778,808
Non-current	37,446,011	35,066,260	41,766,570
	<u>53,226,282</u>	<u>68,328,970</u>	<u>70,545,378</u>

Lease payments not recognised as a liability

The company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

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The expense related to payments not included in the measurement of the lease liability is as follows:

	2022	2021
	£	£
Short-term leases		309,347
Leases of low-value assets	1,046,065	852,352
Variable lease payments	1,518,009	1,337,080
	<u>2,564,074</u>	<u>2,498,779</u>

10. Borrowings

	At 31 January 2022	At 31 January 2021	At 1 February 2020
	£	£	£
Amounts falling due within one year			
Bank loan	3,700,000	3,700,000	3,700,000
Revolving credit facility	7,500,000	4,250,000	-
	<u>11,200,000</u>	<u>7,950,000</u>	<u>3,700,000</u>

	At 31 January 2022	At 31 January 2021	At 1 February 2020
	£	£	£
Amounts falling due after one year			
Bank loan	21,700,000	25,400,000	29,100,000
	<u>21,700,000</u>	<u>25,400,000</u>	<u>29,100,000</u>

Summary of borrowing arrangements:

Details of borrowings are given in note 18 of the Group financial statements.

11. Share Capital

	At 31 January 2022	At 31 January 2021	At 1 February 2020
	Number	Number	Number
Allotted, called up and fully paid			
Ordinary A shares of £0.05	544,019	541,249	540,599
Ordinary B shares of £0.05	63,595	63,017	61,767
C1 shares of £0.05	12,750	-	-
C2 shares of £0.05	3,000	-	-
C3 shares of £0.05	5,900	-	-
C4 shares of £0.05	1,000	-	-
C5 shares of £0.05	750	-	-
	<u>631,014</u>	<u>604,266</u>	<u>602,366</u>
Total share capital	631,014	604,266	602,366

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	At 31 January 2022 £	At 31 January 2021 £	At 1 February 2020 £
Allotted, called up and fully paid			
Ordinary A shares of £0.05	27,200	27,062	27,030
Ordinary B shares of £0.05	3,180	3,151	3,088
C1 shares of £0.05	638	-	-
C2 shares of £0.05	150	-	-
C3 shares of £0.05	295	-	-
C4 shares of £0.05	50	-	-
C5 shares of £0.05	38	-	-
	<hr/>	<hr/>	<hr/>
Total share capital	31,551	30,213	30,118

The following shares were issued in the periods presented:

Year ended 31 January 2022

	No	Share capital £
At 1 February 2021	604,266	30,213
Allotments:		
Ordinary A shares of £0.05	2770	138
Ordinary B shares of £0.05	578	29
C1 shares of £0.05	12,750	638
C2 shares of £0.05	3,000	150
C3 shares of £0.05	5,900	295
C4 shares of £0.05	1,000	50
C5 shares of £0.05	750	38
	<hr/>	<hr/>
At 31 January 2022	631,014	31,551

Year ended 31 January 2021

	No	Share capital £
At 1 February 2020	602,366	30,118
Allotments:		
Ordinary A shares of £0.05	650	32
Ordinary B shares of £0.05	1,250	63
	<hr/>	<hr/>
At 31 January 2021	604,266	30,213

12. Events After the Balance Sheet Date

There are no post balance sheet events to be disclosed.

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13. Transition to FRS 101

This is the first time that the Company has presented financial information under FRS 101, and the accounting policies set out herein have been applied in preparing the consolidated financial statements for the year ended 31 January 2022, the comparative information presented and in the preparation of an opening IFRS statement of financial position at 1 February 2020 (the Company's date of transition).

The previously published financial statements were prepared under UK GAAP (FRS 102).

The conversion to FRS 101 has led to a number of changes in respect of the descriptions used and wording of accounting policies.

IFRS 1 First-Time Adoption of IFRS's

The Company has applied the following optional elections under IFRS 1 First-Time Adoption of IFRS

- Measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.
- Implementing IFRS 15 prospectively from the date of transition, and to not restate contracts that were completed before the earliest period presented.

IFRS transition adjustments

The reconciliations in the following tables show the effect of the FRS 101 adjustments applied to the Company's financial statements at the date of transition (1 February 2020), and the comparative statement of financial position (October 2020).

A number of adjustments have arisen during the transition; some of which are FRS 102 restatement adjustments, in addition to FRS 101 transition adjustments. These are separately identified in the following reconciliation tables, with further detail of the components of these adjustments shown in the FRS 102 and FRS 101 adjustment summaries presented beneath the respective reconciliation tables.

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Statement of Financial Position – Reconciliation to FRS 102 at transition – 1 February 2020

	FRS 102 £	FRS 102 adjustments £	Restated FRS 102 £	FRS 101 adjustments £	FRS 101 £
Assets					
Non-current assets					
Intangible assets	3,862,666	-	3,862,666	-	3,862,666
Property, plant and equipment	48,992,109	-	48,992,109	(15,900,411)	33,091,698
Right of use assets	-	-	-	88,345,326	88,345,326
Deferred tax asset	24,118	-	24,118	3,560,223	3,584,341
	52,878,893	-	52,878,893	76,005,138	128,884,031
Current assets					
Inventory	665,804	-	665,804	-	665,804
Trade and other receivables	36,635,290	-	36,635,290	(2,524,844)	34,110,446
Cash and cash equivalents	7,545,561	-	7,545,561	-	7,545,561
	44,846,655	-	44,846,655	(2,524,844)	42,321,811
Current liabilities					
Trade and other payables	21,730,787	(1,767,000)	19,963,787	(233,462)	19,730,325
Lease liabilities	1,007,852	-	1,007,852	27,770,956	28,778,808
Current tax payable	2,430,447	-	2,430,447	-	2,430,447
Deferred income	21,826,211	-	21,826,211	10,158,312	31,984,523
Borrowings	3,700,000	-	3,700,000	-	3,700,000
	50,695,297	(1,767,000)	48,928,297	37,695,806	86,624,103
Non-current liabilities					
Lease liabilities	1,408,994	-	1,408,994	40,357,576	41,766,570
Borrowings	29,100,000	-	29,100,000	-	29,100,000
Deferred income	-	-	-	11,511,285	11,511,285
Provisions	1,953,894	-	1,953,894	-	1,953,894
	32,462,888	-	32,462,888	51,868,861	84,331,749
Net assets / (liabilities)	14,567,363	1,767,000	16,334,363	(16,084,372)	249,991
Equity					
Share capital	30,118	-	30,118	-	30,118
Share premium	1,113,815	-	1,113,815	-	1,113,815
	-	-	-	298,233	298,233
Capital redemption reserve	25,401	-	25,401	-	25,401
Retained losses	13,398,029	1,767,000	15,165,029	(16,382,605)	(1,217,576)
Shareholders' funds / (deficit)	14,567,363	1,767,000	16,334,363	(16,084,372)	249,991

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IFRS adjustments	IFRS 16 right of use lease recognition	IFRS 15 revenue recognition	Tax Adjustment	Total IFRS adjustments
	1	2	3	
	£	£	£	£
Property, plant and equipment	(15,900,411)			(15,900,411)
Right of use assets	88,345,326			88,345,326
Deferred tax asset			3,560,223	3,560,223
Trade and other receivables	(4,549,846)	2,025,002		(2,524,844)
Trade and other payables	233,462			233,462
Lease liabilities - current	(27,770,956)			(27,770,956)
Deferred income - current		(10,158,313)		(10,158,313)
Lease liabilities - non-current	(40,357,576)			(40,357,576)
Deferred income - non-current		(11,511,285)		(11,511,285)
Share Based Payment reserve			(298,233)	(298,233)
Retained losses		19,644,595	(3,261,990)	16,382,605

1. IFRS 16 right of use lease recognition

IFRS 16 has been implemented from the transition date, resulting in adjustments to property, plant and equipment to recognise the right of use lease assets and to prepayments to remove previously recognised rent prepayments. Corresponding lease liabilities have also been recognised along with immaterial tax adjustments arising.

2. IFRS 15 revenue recognition

IFRS 15 has been implemented from the transition date, resulting in adjustments to revenue, accrued and deferred income and associated adjustments to cost of sales and other administrative costs.

3. IFRS Tax adjustment

Following the adjustments above, tax for the year has been recalculated, resulting in the recognition of an increased deferred tax asset.

FRS 102 adjustments	Dividend accrual reversed	Total FRS 102 adjustments
	A	
	£	£
Trade and other payables	1,767,000	1,767,000
Retained earnings / (losses)	<u>(1,767,000)</u>	<u>(1,767,000)</u>

A. Dividend accrual reversal

Dividends previously accrued have been adjusted to reflect the timing of the period in which the amount of the dividend was declared.

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Statement of Financial Position – Reconciliation to FRS 102 at 31 January 2021

	FRS 102 £	FRS 102 adjustments £	Restated FRS 102 £	FRS 101 adjustments £	FRS 101 £
Assets					
Non-current assets					
Investments	19,150,726	-	19,150,726	-	19,150,726
Intangible assets	3,357,329	-	3,357,329	-	3,357,329
Property, plant and equipment	50,356,668	-	50,356,668	(16,755,601)	33,601,067
Right of use assets	-	-	-	83,318,237	83,318,237
Deferred Tax Asset	339,656	-	339,656	4,084,588	4,424,244
	<u>73,204,379</u>	<u>-</u>	<u>73,204,379</u>	<u>70,647,224</u>	<u>143,851,603</u>
Current assets					
Inventory	1,514,075	-	1,514,075	-	1,514,075
Trade and other receivables	41,120,249	-	41,120,249	(4,028,854)	37,091,395
Cash and cash equivalents	11,678,826	-	11,678,826	-	11,678,826
	<u>54,313,150</u>	<u>-</u>	<u>54,313,150</u>	<u>(4,028,854)</u>	<u>50,284,296</u>
Current liabilities					
Trade and other payables	31,005,138	(1,995,438)	29,009,700	(2,101,803)	26,907,897
Deferred consideration	541,043	-	541,043	-	541,043
Lease liabilities	1,567,508	-	1,567,508	31,695,203	33,262,711
Current tax payable	109,247	-	109,247	70,684	179,931
Deferred income	23,223,747	-	23,223,747	10,027,119	33,250,866
Provisions	7,950,000	-	7,950,000	-	7,950,000
	<u>64,396,683</u>	<u>(1,995,438)</u>	<u>64,401,245</u>	<u>39,691,203</u>	<u>102,092,448</u>
Non-current liabilities					
Lease liabilities	2,118,657	-	2,118,657	32,947,603	35,066,260
Borrowings	25,400,000	-	25,400,000	-	25,400,000
Deferred consideration	541,043	-	541,043	-	541,043
Deferred income	-	-	-	9,855,826	9,855,826
Provisions	2,220,462	-	2,220,462	-	2,220,462
Deferred tax liability	-	-	-	-	-
	<u>30,280,162</u>	<u>-</u>	<u>30,280,162</u>	<u>42,803,429</u>	<u>73,083,591</u>
Net assets / (liabilities)	<u>32,840,684</u>	<u>1,995,438</u>	<u>34,836,122</u>	<u>(15,876,259)</u>	<u>18,959,863</u>
Equity					
Share capital	30,213	-	30,213	-	30,213
Share premium	1,136,345	-	1,136,345	-	1,136,345
Share based payment reserve	-	74,143	74,143	359,789	433,932
Capital redemption reserve	25,401	-	25,401	-	25,401
Retained earnings / (losses)	31,648,725	1,921,295	33,570,020	(16,236,048)	17,333,972
Shareholders' funds / (deficit)	<u>32,840,684</u>	<u>1,995,438</u>	<u>34,836,122</u>	<u>(15,876,259)</u>	<u>18,959,863</u>

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FRS 102 adjustments	Exceptional admin expenses	Reclassify share based payments	Dividend accrual reversal	Total FRS 102 adjustments
	A	B	C	
	£	£	£	£
Trade and other payables	(217,500)	-	2,212,938	1,995,438
Share based payment reserve	-	(74,143)	-	(74,143)
Retained losses	217,500	74,143	(2,212,938)	(1,921,295)

A. Exceptional administrative expenses

These expenses relate to the professional and advisory fees incurred during the transition to IFRS reporting.

B. Reclassification of share based payments

The previously recognised share based payments have been reclassified into a separate reserve.

C. Dividend accrual reversal

Dividends previously accrued have been adjusted to reflect the timing of the period in which the amount of the dividend was declared.

IFRS adjustments	IFRS 16 right of use lease recognition	IFRS 15 revenue recognition	Tax Adjustment	Total IFRS adjustments
	1	2	3	
	£	£	£	£
Intangible assets				0
Property, plant and equipment	(16,755,601)			(16,755,601)
Right of use assets	83,318,237			83,318,237
Deferred tax asset			4,084,588	4,084,588
Trade and other receivables	(4,840,391)	811,536		(4,028,855)
Trade and other payables	2,101,804			2,101,804
Deferred income - current		(10,027,119)		(10,027,119)
Lease liabilities - current	(31,695,203)			(31,695,203)
Deferred income - non-current		(9,855,826)		(9,855,826)
Lease liabilities - non-current	(32,947,603)			(32,947,603)
Corporation Tax			(70,684)	(70,684)
Share Based Payment reserve			(359,789)	(359,789)
Retained losses	818,756	19,071,409	(3,654,115)	16,236,050

1. IFRS 16 right of use lease recognition

IFRS 16 has been implemented from the transition date, resulting in adjustments to property, plant and equipment to recognise the right of use lease assets and to prepayments to remove previously recognised rent prepayments. Corresponding lease liabilities have also been recognised along with immaterial tax adjustments arising.

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2. IFRS 15 revenue recognition

IFRS 15 has been implemented from the transition date, resulting in adjustments to revenue, accrued and deferred income and associated adjustments to cost of sales and other administrative costs.

3. IFRS Tax adjustment

Following the adjustments above, tax for the year has been recalculated, resulting in the recognition of an increased deferred tax asset.