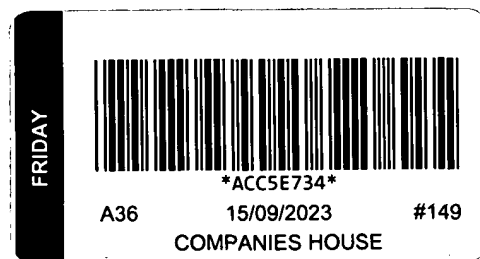


Registered number  
07196015

**Operational Solutions Ltd**  
Financial Statements  
31 March 2023



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## Company Information

Directors                    S J Banham                    (Resigned 18 July 2023)  
                                     D T O Carey                    (Appointed 18 July 2023)  
                                     M Legh-Smith

Company Number            07196015

Registered Office            Sunnyside Farm  
                                     Reading Road  
                                     Padworth Common  
                                     Reading  
                                     RG7 4QN

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## Strategic Report

Operational Solutions Ltd is the main trading entity within the group of companies that form OSL Group Ltd, as such the directors present the Group's strategic report for the year ended 31 March 2023.

### Business review

OSL Group, an innovative security and safety technology company, provides situational intelligence solutions, enabling protection against drones and other threats, in the air and on the ground. Its technology offers unparalleled visibility and security; empowering the protection of people, property and assets in complex 3D environments. The company also provides services in the fields of airspace security, training & simulation, and networked communications. Customers include international airports, owners and operators of other significant sites, aerospace and defence companies, and government organisations.

In 2023, the business demonstrated strong growth, achieving revenues of £10.1m (2022 £6.5m), representing 56% growth year on year. This was led by the Commercial Counter Unmanned Aerials Systems ("CUAS") business division which saw revenues double. Core airport customers have sought to invest further in OSL's market leading intelligent safety and security technology as confidence in global aviation has returned following the end of the COVID-19 pandemic. The Group's airspace security and management, simulation, and communications businesses continued to demonstrate strong performance with consistent incremental growth in the delivery of multi-year contracts. Group recurring and re-occurring revenues increased to £5.3m (2022 £4.9m), but fell as a percentage of total sales to 53% (2022 76%) due to a strong recovery in CUAS equipment hardware revenues, which will lead to a future increase in recurring revenues.

Gross profit grew to £4.8m (2022 £3.3m) reflecting improved trading, with margin reducing slightly to 47% (2022 51%) reflecting the mix impact of the recovery in hardware sales.

During the year, OSL expanded the range of products and services available to customers:

- In January 2023, the company launched its Drone Alert Service ("DAS") in the UK, an innovative SaaS product which provides customers with an entry level drone detection capability without the need for hardware investment. This service is believed to be the first of its kind in Europe and has generated interest from a range of new and existing customers.
- In March 2023, OSL launched its Unmanned Aerial Systems ("UAS") services business division, using drones to provide survey, inspection and other services in the UK. Building on experience of managing drones within busy controlled airspace, OSL is well positioned to provide such services within these and similarly complex environments. Initial revenues were recorded after the end of the financial year, and hence are not included within these financial statements.

In the year, over £2.9m (2022 £1.5m) was invested in structural overhead and business improvements ahead of planned growth of the business. Average headcount has increased to 107 (2022: 60) with Technology and Business Development functions seeing significant expansion.

Reflecting the investment for growth detailed above, adjusted Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the year decreased to £1.3m (2022 £1.5m), representing a margin of 12% (2022 22%).

OSL continued to invest significantly in developing new technology and products, with £2.3m (2022 £1.2m) spent on research and development and an increase in average technology staff to 32 from 9 in 2022. Notably the company has made significant improvements to its FACE@ software platform improving functionality, capability and scalability, and enhanced its artificial intelligence image analytics technology. Furthermore it has adapted these technologies, previously focussed on CUAS, into intelligent ground security applications which will allow the company to provide new capabilities to existing customers, and provide access to customers in new market segments.

In August 2022, OSL commenced Project HADO®, a UK Research & Innovation (UKRI) initiative to accelerate the commercial adoption of autonomous drones in high intensity environments in the UK. Involving a consortium of commercial and government partners led by OSL, Project HADO® provides the company with a route to provide services to the autonomous UAV and eVTOL markets when they become operational in the years ahead.

In September 2022, OSL announced its acquisition of Rinicom Intelligent Solutions Limited (RIS), a leading image analytics software company which has brought a number of core CUAS products fully in house and provided an additional specialist development resource.

Net external cash (debt), consisting of cash and bank loans, has decreased to £1.5m (2022: £4.0m), attributable to deployment of investment capital for future growth and an unusually high end of year net working capital position due to significant contractual deliverables in the final months of the year.

#### Key performance indicators

The following performance measures are used to monitor and manage the business:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Revenue	10,109	6,512
<i>Recurring and re-occurring revenue percentage</i>	53%	75%
Gross profit	4,757	3,312
<i>Gross profit margin</i>	47%	51%
Adjusted EBITDA	1,253	1,521
<i>Adjusted EBITDA margin</i>	12%	23%
Net external cash (debt)	1,467	4,008
	<b>2023</b>	2022
	<b>Number</b>	Number
Average number of employees	107	60
Average number of employees in technology department	32	9

#### Principal risks and uncertainties

The principal risks and uncertainties facing the group are:

- The timing and growth rate of the CUAS and related markets globally
- The relative success of the company in using its technology to expand within its current markets, and to enter into new markets and market segments
- The relative concentration of significant customer contracts
- The impacts of wage inflation on the group's cost base, and staff retention in an inflationary environment
- Potential credit risk if trading with customers who have a poor credit rating, which may give rise to bad debts
- Variations in interest rates, which may impact the group's borrowing costs if it chooses to seek further debt funding in the future

The group is able to mitigate many of these risks in the following ways:

- The majority of the group's existing revenues are derived from established multi-year contracts
- The majority of the group's existing customers are large, well-funded corporate entities with strong credit ratings
- The group maintains a healthy cash position, supported by strong underlying cash flow generation, with the potential for follow-on fundraising as and when required
- The group's policy is to manage its cost of borrowing using fixed rate debt to give certainty around costs with minimal impact from market conditions

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



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Mark Legh-Smith (Sep 13, 2023 18:10 GMT+1)

M R Legh-Smith  
Director

Date: 13 September 2023

## Directors' Report

The board of directors (the "Board") are please to present their report and the financial statements of Operational Solutions Ltd (the "company") for the year ended 31 March 2023.

The directors who held office during the year and up to the date of signature of the financial statements are listed on page 1.

### Principal activities

The principal activities of the company during the year were:

- Provision and operation of smart systems providing enhanced situational intelligence for applications on drone detection and management, hazard detection, and asset safeguarding.
- Services in the field of airspace security and management.
- Service in the fields of simulations and communications.

Across its principal activities the company provides integrated hardware and software products and systems, integration services, managed services, and consultancy services.

### Performance during the year

The results for the year are set out on page 10.

Profit for the company for the year was £85k (2022 unaudited: £638k).

The directors do not recommend the payment of a dividend (2022 unaudited: £nil).

### Research and development

The company engages in R&D activities to further develop its core situational intelligence technology as well as creating related products to address new market opportunities.

### Future developments

The company intends to further grow its business domestically and internationally by providing its technology to new customers in existing markets and applying this technology to new applications in adjacent markets. It intends to further invest in technology development in order to maintain and enhance a leading position within its markets and to provide entirely new capabilities to its customers.

### Matters covered in the Strategic Report

The business review, principal risks and uncertainties, and financial key performance indicators are not included in the Directors' Report as they are included in the Strategic Report as required under s.414c Companies Act 2006.

### Going concern

As a result of their enquiries, the Board has a reasonable expectation that the company will have sufficient funds to continue to meet its liabilities as they fall due for a period of 12 months after the date on which the financial statements are approved. For this reason. It continues to adopt the going concern basis in the financial statements.

## Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable laws (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial reporting Standard applicable in the UK and Republic of Ireland*).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view on the state of affairs of the company and the profit or loss of the company 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 estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Statement of disclosure to auditor

In the case of each director in office at the date the directors' report is approved:

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

### Auditor

MHA were appointed as auditor to the company in accordance with s. 485 Companies Act 2006. Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

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



Mark Legh-Smith (Sep 13, 2023 18:10 GMT+1)

M R Legh-Smith  
Director

Date: 13 September 2023

## Independent auditor's report to the members of Operational Solutions Limited

### Opinion

We have audited the financial statements of Operational Solutions Limited (the 'company') the year ended 31 March 2023, which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

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

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

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

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

### Matters on which we are required to report by exception

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

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

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

### Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of company staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

## Independent Auditor's Report

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

### Other Matters

The comparative financial statements were unaudited.

### Use of our report

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



Jason Mitchell MBA BSc FCA (Senior statutory auditor)  
for and on behalf of  
MHA

Statutory Auditors

Maidenhead

Date: 14 September 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

## Statement of Total Comprehensive Income

For the Year Ended 31 March 2023

	Note	2023 £'000	2022 unaudited £'000
Turnover	4	10,054	6,379
Cost of sales		(5,337)	(3,102)
Gross profit		<u>4,717</u>	<u>3,277</u>
Administrative expenses		(5,049)	(2,730)
Operating (loss)/profit	5	<u>(332)</u>	<u>547</u>
Other income	6	947	129
Interest receivable and similar income	7	2	-
Interest payable and similar expenses	7	(30)	(20)
Impairment	13	-	(502)
Profit before taxation		<u>587</u>	<u>154</u>
Tax (charge)/credit on profit on ordinary activities	10	(502)	484
Profit for the financial year		<u>85</u>	<u>638</u>
<b>Other Comprehensive Income</b>			
Unrealised gain on revaluation of property		422	-
Tax on revaluation of tangible assets		(106)	-
Total Comprehensive Income		<u>401</u>	<u>638</u>

All activity related to continuing operations.

The notes on pages 13 to 26 form an integral part of the financial statements.

**Statement of Financial Position**

As at 31 March 2023

	Note	2023 £'000	2023 £'000	2022 unaudited £'000	2022 unaudited £'000
<b>Fixed assets</b>					
Intangible assets	11		3,748		1,896
Tangible assets	12		2,257		1,598
Investments	13		1,975		700
			<u>7,980</u>		<u>4,194</u>
<b>Current assets</b>					
Stock	14	139		47	
Debtors	15	4,947		1,912	
Cash at bank and in hand		<u>1,873</u>		<u>4,633</u>	
		<u>6,959</u>		<u>6,592</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(6,843)</u>		<u>(4,164)</u>	
<b>Net current assets</b>			<u>116</u>		<u>2,428</u>
<b>Total assets less current liabilities</b>			<u>8,096</u>		<u>6,622</u>
<b>Creditors: amounts falling due after more than one year</b>					
Provisions for liabilities - deferred tax	17		(581)		(606)
	19		(1,032)		-
<b>Net assets</b>			<u>6,483</u>		<u>6,016</u>
<b>Capital and reserves</b>					
Called up share capital	20		-		-
Share based payment reserve	21		296		230
Revaluation reserve			309		-
Profit and loss account			5,878		5,786
<b>Shareholders funds</b>			<u>6,483</u>		<u>6,016</u>

The notes on pages 13 to 26 form an integral part of the financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:



Mark Legh-Smith (Sep 13, 2023 18:10 GMT+1)

M R Legh-Smith  
Director

Date: 13 September 2023

**Statement of Changes in Equity**

As at 31 March 2023

	Called up share capital £'000	Share based payment reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	<b>Total £'000</b>
As at 1 April 2021 (unaudited)	-	151	-	5,148	5,299
Surplus from statement of comprehensive income	-	-	-	638	638
Charge relating to equity-settled share-based payments	-	79	-	-	79
As at 1 April 2022 (unaudited)	-	230	-	5,786	6,016
Surplus from statement of comprehensive income	-	-	-	85	85
Charge relating to equity-settled share-based payments	-	66	-	-	66
Unrealised gain on revaluation	-	-	422	-	422
Depreciation of revalued assets	-	-	(7)	7	-
Deferred tax movement on revaluation of tangible assets	-	-	(106)	-	(106)
As at 31 March 2023	-	296	309	5,878	6,483

The notes on pages 13 to 26 form an integral part of the financial statements.

## Notes to the Accounts

for the year ended 31 March 2023

(forming part of the financial statements)

### 1. General Information

Operational Solutions Limited carried out the following principal activities during the year:

- Provision and operation of smart systems that provide enhanced situational intelligence for applications in drone detection and management, hazard detection, and asset safeguarding
- Services in the field of airspace security and management
- Services in the fields of simulations, and communications

Across its principal activities the company provides integrated hardware and software products and systems, integration services, managed services, and consultancy services.

The company is a private company limited by shares and incorporated and domiciled in the United Kingdom. Its registered office is Sunnyside Farm Reading Road, Padworth Common, Reading, United Kingdom, RG7 4QN

### 2. Statement of Compliance

The financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

### 3. Accounting policies

#### a) Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The financial statements are presented in Great British Pound Sterling which is also the company's functional currency and is rounded in thousands.

The company's ultimate parent undertaking, OSL Group Limited, includes the company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity under FRS 102 and has applied the available exemptions in respect of the Statement of Cash Flows and related notes, disclosure of transactions with key management personnel and related party transactions with wholly owned group entities.

The principal accounting policies, which have been applied consistently throughout the current year and prior period unless otherwise stated, are set out below.

#### b) Going concern

The directors are satisfied that the company is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements, and accordingly continue to prepare the financial statements on the going concern basis.

#### c) Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

**d) Employee benefits***i) Short term benefits*

Short term benefits including holiday pay and other similar non-monetary benefits, and are recognised as an expense in the period in which the service is received.

*ii) Defined contribution benefit plan*

The company operates a defined contribution benefit plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid there are no future payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

*iii) Share based payments*

Share based payments arrangements are provided to certain individuals. Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expense on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement. There are no cash-settled arrangements.

**e) Government grants**

Grants are accounted under the performance model as permitted by FRS 102.

A grant does not impose specific future performance related conditions on the company and is recognised in other income when the grant proceeds are received or receivable.

A grant that imposes future performance-related conditions on the company is recognised in other income only when the performance related conditions are met.

**f) Taxation**

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

**g) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- |                                 |         |
|---------------------------------|---------|
| • Intellectual property rights  | 5 years |
| • Internally generated software | 2 years |
| • Software licences             | 3 years |

Amortisation is included in 'administrative expenses' in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the c are recognised as intangible assets when the following criteria are met:

- (a) it is technically feasible to complete the software so that it will be available for use;
- (b) management intends to complete the software and use or sell it;
- (c) there is an ability to use or sell the software;
- (d) it can be demonstrated how the software will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- (f) the expenditure attributable to the software during its development can be reliably measured.

#### **h) Tangible fixed assets**

Land and buildings are measured at fair value. Revaluations are carried out with sufficient regularity to ensure the carrying value does not differ materially from the fair value at the end of the reporting period.

All other tangible fixed assets are measured at cost less accumulative depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

- |                         |          |
|-------------------------|----------|
| • Freehold property     | 40 years |
| • Plant and machinery   | 3 years  |
| • Fixtures and fittings | 5 years  |
| • Motor vehicles        | 5 years  |
| • Computer equipment    | 3 years  |

#### **i) Investments**

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses. Listed investments are measured at fair value. Unlisted investments are measured at fair value unless the value cannot be measured reliably, in which case they are measured at cost less any accumulated impairment losses. Changes in fair value are included in the profit and loss account.

#### **j) Impairment of non-financial assets**

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

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

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

**k) Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

**l) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**m) Financial Instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

*i) Financial assets*

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

*iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### n) Critical judgements in applying accounting policies

##### i) Carrying value of investments in joint ventures and subsidiary undertakings

The directors assess the investments of the company for indicators of impairment at each reporting date. Where indicators of impairment are identified, the investment's recoverable amount is determined. An impairment is recognised in the financial statements to the extent that the directors assess investments to be held at a higher value than their recoverable amount.

##### ii) Recoverability of trade and other debtors

Management applies judgement in evaluating the recoverability of debtors, reviewing the outstanding balance on an ongoing basis throughout the year. Debtors have been provided for in the financial statements to the extent that the directors assess debtors not to be recoverable.

#### o) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### i) Useful economic lives of intangible assets and tangible fixed assets

Management estimates the useful economic lives of the company's tangible fixed assets based on the historic performance of similar assets and expected future activities of the company that require their use. Intangible assets are assessed with similar criteria, as well as reference to the likelihood of obsolescence for any internally generated or purchased software due to technological advancements. Further details on the determined useful economic lives for intangible assets and tangible fixed assets are included in the company's accounting policies in notes 3(g) and 3(h).

#### 4. Turnover

By Type	2023	2022
	£'000	unaudited £'000
Hardware products	2,894	76
Software products	348	11
Integration services	1,472	1,512
Managed services	2,824	2,531
Consultancy services	2,497	2,228
Billable expense	19	21
	<b>10,054</b>	<b>6,379</b>

By Geography	2023	2022
	£'000	unaudited £'000
United Kingdom	9,824	6,325
Europe	118	54
Rest of the world	112	-
	<b>10,054</b>	<b>6,379</b>

**5. Operating profit**

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amortisation:		
- intangible assets	<b>656</b>	358
- other owned assets	<b>336</b>	316
Rentals payable:		
- plant, vehicles and machinery	<b>1</b>	1
- operating leases	<b>37</b>	12
Auditor's remuneration:		
- in their capacity as auditor	<b>17</b>	15
- other	<b>3</b>	3
Other:		
- write off loan to subsidiary	<b>288</b>	-

**6. Other income**

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Grant funding	<b>927</b>	114
Recharges to connected companies	<b>14</b>	14
Other	<b>6</b>	1
	<b>947</b>	129

**7. Interest**

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Bank interest receivable	<b>(2)</b>	-
Interest payable on bank loans and overdrafts	<b>29</b>	19
Other	<b>1</b>	1
	<b>28</b>	20

**8. Employees**

	<b>2023</b>	2022
	<b>Number</b>	unaudited Number
Average number of persons employed by the company	<b>98</b>	58

The aggregate payroll costs for these persons were as follows:

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Wages and salaries	<b>5,294</b>	3,173
Social security costs	<b>552</b>	319
Contributions to defined contribution pension	<b>298</b>	205
	<b><u>6,144</u></b>	<u>3,697</u>

**9. Directors' and key management remuneration**

Directors' emoluments expensed during the current and prior year were:

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Aggregate remuneration	<b>128</b>	102
Post employment pension and medical benefits	<b>3</b>	3
	<b><u>131</u></b>	<u>105</u>

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Highest paid director (including pension contributions and benefits in kind)	<b><u>114</u></b>	<u>93</u>

Post-employment benefits were accruing for 1 director (2022 unaudited: 1) under a defined contribution scheme.

Key management includes the directors and members of senior management.

The compensation paid or payable to key management for employee services is shown below:

	<b>2023</b>	2022
	<b>£'000</b>	unaudited £'000
Aggregate remuneration	<b>614</b>	515
Post employment pension and medical benefits	<b>21</b>	11
Other non-cash benefits received	<b>10</b>	7
	<b><u>645</u></b>	<u>533</u>

**10. Taxation**

	2023 £'000	2022 unaudited £'000
<i>Current tax</i>		
Current tax (credit)/charge on income for the period	(504)	176
Adjustment in respect of current year R&D claims	-	(458)
Adjustment in respect of prior periods	80	(202)
Total current tax credit	<u>(424)</u>	<u>(484)</u>
<i>Deferred tax</i>		
Adjustments in respect of current year	430	-
Adjustments in respect of prior period	496	-
Total deferred tax charge	<u>926</u>	<u>-</u>
Total tax charge/(credit)	<u>502</u>	<u>(484)</u>

In addition to the above charge, £106,000 (2022 unaudited: £nil) has been charged to other comprehensive income.

The total tax charge for the period is higher than (2022 unaudited: lower than) the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

**Reconciliation of effective tax rate**

	2023 £'000	2022 unaudited £'000
Profit for the year	85	638
Tax charge/(credit) on profit no ordinary activities	<u>502</u>	<u>(484)</u>
Profit excluding taxation	587	154
Tax using the UK corporation tax rate of 19% (2022: 19%)	112	29
Non-deductable expenses	63	178
Depreciation less capital allowances	-	(19)
Capital allowance enhanced tax deduction	(34)	-
Loss relief surrendered by Group companies	-	(12)
Additional deduction for qualifying R&D expenditure	(487)	(458)
Share based payments - deductible on exercise	13	-
Surrendered for R&D tax credit at a lower rate	156	-
Deferred tax charged at different rate	103	-
Adjustments in respect of prior period - 2020 R&D claims	-	(74)
Adjustments in respect of prior period - 2021 R&D claims	-	(128)
Adjustments in respect of prior years - deferred tax	496	-
Adjustments in respect of prior years - corporation tax	80	-
	<u>502</u>	<u>(484)</u>

**Factors that may affect future tax changes**

An increase to the UK corporation tax main rate from 19% to 25% was announced in March 2021 (to be effective from 1 April 2023) applying to profits over £250,000 and therefore deferred tax has been recognised at 25%.

**11. Intangible fixed assets**

	Internally generated software £'000	Software licences £'000	Total £'000
<b>Cost</b>			
At 1 April 2022 (unaudited)	2,276	6	2,282
Additions	2,355	153	2,508
At 31 March 2023	<u>4,631</u>	<u>159</u>	<u>4,790</u>
<b>Depreciation</b>			
At 1 April 2022 (unaudited)	384	2	386
Charge for the year	622	34	656
At 31 March 2023	<u>1,006</u>	<u>36</u>	<u>1,042</u>
<b>Net book value</b>			
At 31 March 2023	<u>3,625</u>	<u>123</u>	<u>3,748</u>
At 31 March 2022 (unaudited)	<u>1,892</u>	<u>4</u>	<u>1,896</u>

**12. Tangible fixed assets**

	Freehold Property £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2022 (unaudited)	1,229	881	26	2,136
Additions	12	557	4	573
Revaluation	422	-	-	422
At 31 March 2023	<u>1,663</u>	<u>1,438</u>	<u>30</u>	<u>3,131</u>
<b>Depreciation</b>				
At 1 April 2022 (unaudited)	25	487	26	538
Charge for the year	26	303	-	329
Revaluation	7	-	-	7
At 31 March 2023	<u>58</u>	<u>790</u>	<u>26</u>	<u>874</u>
<b>Net book value</b>				
At 31 March 2023	<u>1,605</u>	<u>648</u>	<u>4</u>	<u>2,257</u>
At 31 March 2022 (unaudited)	<u>1,204</u>	<u>394</u>	<u>-</u>	<u>1,598</u>

**13. Investments**

	Investment in subsidiary £'000	Investment in joint ventures £'000	Total £'000
<b>Cost</b>			
At 1 April 2022 (unaudited)	702	600	1,302
Transfer on purchase of controlling share	500	(500)	-
Additions	1,275	-	1,275
At 31 March 2023	<u>2,477</u>	<u>100</u>	<u>2,577</u>
<b>Impairments</b>			
At April 2022 (unaudited)	502	100	602
Charge in year	-	-	-
At 31 March 2023	<u>502</u>	<u>100</u>	<u>602</u>
At 31 March 2023	<u>1,975</u>	<u>-</u>	<u>1,975</u>
At 31 March 2022 (unaudited)	<u>200</u>	<u>500</u>	<u>700</u>

The company's investments are listed below:

Company name	R.S. Capp Limited	Rinicom Intelligent Solutions Ltd	Issos Technologies Ltd	Dynamic Intelligence Solutions Ltd
Class of shares	Ordinary	Ordinary	Ordinary	Ordinary
Holding at 31 March 2023	100%	100%	30%	49%
Principal Activity	Research and development	Research and development	Research and development	Research and development
Registered office	Sunnyside Farm Reading Road Padworth Common Reading RG7 4QN	Sunnyside Farm Reading Road Padworth Common Reading RG7 4QN	Unit 3, The Farrowing Fir Tree Farm Oxford Road Newbury RG20 8RT	5th Floor Whitefriars Lewins Mead Bristol BS1 2NT
Country of incorporation	United Kingdom	United Kingdom	United Kingdom	United Kingdom

The directors consider the above investments in ISSOS Technologies Ltd and Dynamic Intelligence Solutions Ltd to meet the criteria of joint ventures under FRS 102 as they are under joint control from both the company and the other investors, management decisions are made jointly between all investors. Cost value of both joint ventures are less than £1,000 in aggregate.

The remaining 51% share capital of Rinicom Intelligence Solutions Limited was acquired on 26 September 2022, becoming a 100% owned subsidiary.

The company acquired 49% of the shareholding and voting rights of Dynamic Intelligence Solutions Limited on 24 June 2022 at par.

**14. Inventories**

	2023 £'000	2022 unaudited £'000
Finished goods	139	47
	<u>139</u>	<u>47</u>

**15. Debtors**

	2023 £'000	2022 unaudited £'000
Trade debtors	3,492	1,056
Amounts due from Group companies	17	-
Amounts due from joint ventures	103	-
Prepayments and accrued income	560	368
Corporation tax asset	743	458
Other debtors	32	30
	<u>4,947</u>	<u>1,912</u>

**16. Creditors: amounts falling due within one year**

	2023 £'000	2022 unaudited £'000
Bank loans and overdrafts	51	51
Trade creditors	1,404	277
Amounts due to Group companies	2,759	2,740
Taxation and social security costs	873	461
Corporation tax	-	139
Accruals and deferred income	981	481
Other creditors	-	15
Other loans	775	-
	<u>6,843</u>	<u>4,164</u>

**17. Creditors: amounts falling due after one year**

	2023 £'000	2022 unaudited £'000
Bank loans	581	606
	<u>581</u>	<u>606</u>

**18. Loans**

	2023 £'000	2022 unaudited £'000
Secured bank loans	581	606
	<u>581</u>	<u>606</u>

Bank loans are secured by a fixed and floating charge over the company's assets.

**19. Provisions for liabilities – deferred taxation**

	2023 £'000	2022 unaudited £'000
At beginning of year	-	-
Charged in the year to profit or loss	926	-
Charged in the year to other comprehensive income	106	-
At end of year	<u>1,032</u>	<u>-</u>

The provision for deferred taxation is made up as follows:

	2023 £'000	2022 unaudited £'000
Accelerated capital allowances	170	-
Intangible assets	764	-
Gains on revalued tangible assets	106	-
Short term timing differences	(8)	-
	<u>1,032</u>	<u>-</u>

**20. Share Capital**

	2023 £	2022 unaudited £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and fully paid up	<u>100</u>	<u>100</u>

**21. Share based payments**

There are two share-based payment schemes in operation for employees and consultants, an EMI scheme and a non-EMI qualifying share option scheme. The options under both contain a service condition with vesting occurring over a period of between one and five years depending on the individual agreements. The options were granted with a life of 10 years and an exercise price of between £0.0915 to £0.14.

It is not possible to directly measure the fair value of employee services received. Instead, the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to the two schemes in operation. A charge for the year is recognised of £66,145 (2022 unaudited: £78,815).

**22. Financial Instruments**

	2023	2022
	£'000	unaudited £'000
Financial assets held at face value	1,873	4,633
Financial assets held at amortised cost	4,072	1,348
Financial liabilities held at amortised cost	(6,408)	(4,040)

Financial assets held at face value represents cash in hand. Financial assets held at amortised cost is made up of trade and other debtors, including amounts due from group companies and joint ventures, and accrued income. Financial liabilities held at amortised cost is made up of trade and other creditors, accruals, bank loans, loan notes and shares held as debt.

	2023	2022
	£'000	unaudited £'000
Trade Debtors	3,492	1,056
Amounts due from Group companies	17	-
Amounts due from JV	103	-
Prepayments and accrued income	560	368
Corporation tax receivable	743	458
Other debtors	32	30
	<u>4,947</u>	<u>1,912</u>
Less: statutory obligations	(743)	(458)
Less: prepayments	(132)	(106)
<b>Financial assets held at amortised cost</b>	<u>4,072</u>	<u>1,348</u>
Bank loans and overdrafts	51	51
Trade creditors	1,404	277
Amounts due to Group companies	2,759	2,740
Taxation and social security costs	873	461
Corporation tax	-	139
Accruals and deferred income	981	481
Other creditors	775	15
Bank loans (more than one year)	581	606
	<u>7,424</u>	<u>4,770</u>
Less: statutory obligations	(873)	(600)
Less: deferred income	(143)	(130)
<b>Financial liabilities held at amortised cost</b>	<u>6,408</u>	<u>4,040</u>

**23. Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2023 £'000	2022 unaudited £'000
Less than one year	43	51
Between one and five years	95	141
More than five years	-	-
	<u>138</u>	<u>192</u>

**24. Capital commitments**

At 31 March, the company had the following capital commitments:

	2023 £'000	2022 unaudited £'000
Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment	-	116
	<u>-</u>	<u>116</u>

**25. Contingent liabilities**

Bank loans are secured by a fixed and floating charge over the company's freehold property. There are no other contingent liabilities at 31 March 2023 or at 31 March 2022.

**26. Ultimate controlling party**

The immediate and ultimate parent company is OSL Group Limited, a private company limited by shares and incorporated in England.

The registered office of OSL Group Limited is the same as the address of the company as disclosed in note 27 of the financial statements.

The largest and smallest group of which the company is a member and for which group consolidated financial statements are drawn up is headed by OSL Group Limited. Copies of these group consolidated financial statements are available from Companies House.

**27. Other information**

Operational Solutions Ltd is a private company limited by shares and incorporated in England. Its registered office is:

Sunnyside Farm  
Reading Road  
Padworth Common  
Reading  
RG7 4QN

**28. Related party transactions**

The company has taken advantage of the exemption contained within section 33.1A of FRS 102 not to disclose transactions with wholly owned members of the same group.