Registered Number: 01938625

intercity

# Intercity Technology Limited

## Annual Report and Financial Statements

For the Year Ended 31 December 2023

Communications

Cloud and Security

Managed IT Services

intercity

# Company Information

| | |
|---|---|
| Directors | A R Jackson<br>A M Jackson<br>A O Jackson<br>C D Sharp |
| Company Secretary | A M Jackson |
| Registered Number | 01938625 |
| Registered Office | 101-114 Holloway Head<br>Birmingham<br>West Midlands<br>B1 1QP |
| Independent Auditors | Grant Thornton UK LLP<br>17th Floor<br>103 Colmore Row<br>Birmingham<br>B3 3AG |

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# Table of Contents

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# STRATEGIC REPORT

The Board of Directors have pleasure in presenting their strategic report for the year ended 31 December 2023.

## Principal Activities and Vision

Intercity Technology Limited is a leading Technology Services Provider, delivering IT managed services, incorporating IT infrastructure, cloud services, security, hosting and IT professional services, mobility solutions, and unified communications. With particular expertise of delivering award-winning levels of customer service to a range of public and private sector clients by a team providing 'eyes on' national coverage 24 hours a day, 365 days a year. Our vision is to be the best technology partner to work for and with, by providing an environment that drives engagement and collaboration for our colleagues and helping our customers to make the right technology decisions for their business to enable them to Do More.

## Business Review

2023 was a fantastic year for Intercity, with all key strategic objectives being met which underpin our overall growth strategy. Our financial budget was exceeded, alongside enhancements to our world class customer Net Promoter Score (NPS), sector leading colleague engagement, platinum level sustainability, and record levels of support for charitable causes. We also achieved double digit new business growth, including being named as the official IT partner for Edgbaston Stadium and Warwickshire Cricket Club to support their technology transformation.

Overall Group revenues have increased by 11% to £39.3m, which is the result of targeted investment in growth leading to a 13% improvement in organic new business sales performance year on year. Gross margin has increased slightly from 40.3% in 2022 to 41.0% despite macro-economic inflationary cost pressures as a result of changes in the sales mix and a continued focus on recurring revenues, which are currently at 86% of overall sales, providing a strong foundation for growth. EBITDA before exceptional items has increased from £2.37m in 2022 to £3.13m in 2023, which represents an increase of 32% year on year and performance that was ahead of budget. We have built upon this excellent organic growth with the acquisition of Centrality Management Limited in April 2024, which adds strategic Microsoft and Security capability to accelerate our long-term growth plans.

The current economic climate could pose many challenges for the business, our colleagues, customers, and partners. We have offered various levels of support, including a cost-of-living bonus to our colleagues alongside above average pay reviews weighted towards lower earners. We are pleased that the diversification and exceptional financial strength of the business means we are extremely well placed to grow through this challenging period and beyond. This is characterised by strong underlying fundamentals of the Group, with a strong Balance Sheet (Net Assets of £8.5m vs £7.1m in 2022). Operating cashflow remained consistent year on year despite significant investment in our new core business system which will go live in 2024 and will result in significant operational improvements to enhance our service delivery and sales processes.

## Key Performance Indicators (KPI's)

The Group's KPI's are summarised below:

| Financial KPI's (£'000s) | 2023 | 2022 |
|---|---|---|
| Turnover | 39,284 | 35,306 |
| Gross Profit | 16,095 | 14,227 |
| Gross Profit Margin | 41.0% | 40.3% |
| EBITDA / Operating Profit (pre exceptionals) | 3,128 | 2,364 |
| Profit Before Tax | 1,766 | 970 |

| Non-Financial KPI's | 2023 | 2022 |
|---|---|---|
| Average Number of Employees | 212 | 189 |
| Investors in People (lead, support and develop) | Gold | Gold |
| Best Companies Score (colleague engagement) | 3* | 3* |
| Net Promoter Score (customer satisfaction) | +89 | +83 |
| EcoVadis (sustainability assessment) | Platinum | Platinum |

## Section 172 statement

Section 172 of the Companies Act 2006 (the Act) imposes a duty on a director to act in a way that he or she considers, in good faith, would be most likely to promote the long-term success of the company for the benefit of its members as a whole. In doing so, the directors have regard to the various matters including the interests of stakeholders as well as various other matters. The Companies (Miscellaneous Reporting) Regulations 2018 require companies to report on how the Board has fulfilled the requirements of Section 172(1), including how the Board has factored stakeholder considerations into its decision-making.

The Board is fully aware of and supports these requirements. We are pleased to describe below how the Group Board engages with our stakeholders.

The Group's key stakeholders have an important role to play in the successful operation of our business. Our Board are fully aware of, and take seriously, their responsibilities to those stakeholders under the Act.

We believe that it is appropriate to consider the potential impact on our stakeholders when considering the Group's strategy and in making our key decisions. Indeed, these responsibilities are rooted in our culture, values and company purpose.

The Board considers that, in its decisions and actions to date, it has acted in a way that would promote the success of the Group for the benefit of its members as a whole, while having regard to stakeholders and matters set out in Section 172(1) (a–f) of the Act.

The Board has identified the Group's key stakeholders as our colleagues, customers, suppliers and vendors, the environment and communities in which we operate. It receives updates on each of these and takes steps to ensure that it remains well informed about them.

The Group Directors believe strongly in doing business in the right way, with all its decisions underpinned by the impact they have on our five main stakeholder groups. We set out below where our Board are discharging its duties and the effect of this on its decision making.

## High standards of business conduct

We have a Code of Conduct setting out the behaviours and values expected of all of our colleagues, which we communicate to all colleagues and third parties. We have processes to update our Board and management on the operation of our code and an independent whistleblowing service to enable colleagues and third parties to anonymously raise concerns. Through its oversight and monitoring role, the Board requires all of our people to work to the highest standards of business conduct. Our focus is to do what is right ahead of what is easy. This is supported through ongoing communication and awareness of and training in, acceptable company conduct. Any reports of inappropriate behaviour are independently investigated, and action taken where necessary.

## Long-term decision-making

We have a well established governance structure with scheduled Board meetings and clear documentation and authority levels to control its decision-making process. Our governance model supports the Group in ensuring that decisions are considered, documented and reported upon, and in alignment with our strategic plans. Detailed integrated business planning includes setting of strategic business objectives and financial budgets over the short, medium and long term (typically 1, 3 and 5 years). These objectives are cascaded to colleagues and measured through our Plan-on-a-Page and review of actual performance against budgets and forecasts. The Board and individual directors operate within this structure, with the aim of promoting the success of the Group and delivering long-term shareholder value. We have a long term strategic plan for the business that is being deployed and delivered successfully through inclusive and collaborative leadership.

## Customers

Providing outstanding service to our customers, across SME, Enterprise and Public Sector is pivotal to our success. We measure this through NPS, which is currently sector leading at +89 and represents an increase of 11% year on year. We also launched a new customer satisfaction process (CSAT), and we are delighted our teams have achieved a CSAT of over 9.2/10 and 94% service level adherence across thousands of customer tickets. We continue to enhance our product offering to support customer needs by delivering Mobile Device as a Service, Managed IT and our unique Cyber Security Assessment Framework. We have also successfully maintained all our external accreditations, including various ISO standards, Cyber Essentials Plus, IT Health check and many more.

## Suppliers and vendors

We have built an extensive network of strategic relationships with our suppliers and vendors, which ensure we have appropriate resilience, competitiveness and flexibility to fulfil our operations. The integrity and strength of our supply chain is critical to our success and all suppliers are evaluated and regularly reviewed in accordance with our guidelines on the environment, human rights, business ethics, cyber security and overall quality assurance. It is the Group's policy that all key supplier agreements are reviewed by the Board and external professional advisors as required and suppliers are onboarded in line with specified policies.

## Colleague engagement

Our colleagues epitomise the personality and values of the business which are at the heart of everything we do. As the Group continues to grow financially, we are proud to create new opportunities as our colleague base increases to support this, which includes investment in apprentices and graduate roles. Whilst bringing in additional capability, we are extremely proud to support our personal career paths with over 60 Internal promotions in 2023. Our commitment to supporting and developing our colleagues is underpinned by our Gold Investors In People (IiP) and 3 Star Best Companies Accreditations. This is fantastic recognition of our world-class dedication to workplace engagement which ranks us as the 34th best large-sized company to work for in the UK, the 9th best company to work for in the West Midlands and the number 1 best telecoms company to work for in the whole of the UK.

We always expect that our colleagues act with integrity and professionalism and in return the Board considers that our colleagues are rewarded fairly and incentivised to deliver the Group strategy. Colleagues receive ongoing communication through our quarterly business updates, the intranet, notice board, newsletters, meetings with management and team briefings. Performance reviews, which include monthly 1 to 1s and annual appraisals, are undertaken for all colleagues to measure achievement of objectives which determines the necessary recognition and reward. We continue to up-skill and develop our colleagues in order for them to help deliver our overall strategy.

## Our community and the environment

Environmental Social Governance (ESG) is a strategic focus for the business and is something we are passionate about. We are delighted that we continue to receive a platinum sustainability award from EcoVadis (the world's largest and most trusted provider of business sustainability ratings), scoring in the 99th percentile of companies completing the assessment, which evidences our commitment to reduce our impact on the planet, create social value for the communities we serve, and be a world-class place to work.

Our underlying business ethos is to always do what is right for our customers, colleagues, partners, community and environment. We actively encourage all of our colleagues to give back to the community in whichever way they feel the most comfortable. This ranges from the ability to participate in community volunteer work, fundraising events, or matching donations that our colleagues have raised.

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Our Board and our senior management are acutely aware of the impact our business operations can have on the environment and actively seek to minimise this where possible. We are committed to reducing our carbon footprint and consult with environmental consultants to assist with this journey. We have become carbon neutral across scope 1, 2 and 3 emissions, switched our HQ to renewable energy, launched a green car scheme, planted 200 trees and continued to support young people through our work with the Ahead Partnership.

In 2023 we have raised over £10,000 for charity and made Group donations to support The Prince's Trust and The Children's Sailing Trust. In addition to the £7,500 raised at our Charity Golf Day for Birmingham Children's Hospital (BCH), we have also committed to the Changemaker Programme at Birmingham Children's Hospital for the next 2 years, donating £25,000 per year for this period.

## Principal Risks and Uncertainties

| Matter of concern | Potential impact on the Group | Mitigating actions |
|---|---|---|
| Economic conditions | Changing economic conditions may affect the Group in a number of ways, including: increasing costs, decreasing demand, or reducing opportunities for growth. All of which could lead to erosion of revenue and profitability. | The Group is able to modify services to react to market changes and we carefully control pricing and costs to remain competitive. |
| Competition | The Group operates in a highly competitive market environment which is continually innovating that could lead to the loss of customers. | We mitigate the risk of losing customers to competitors by supplying best-in-breed products and services, underpinned by our award-winning customer service wrapper. |
| Political and regulatory | Changes to government policy or legal and regulatory frameworks may result in structural market changes or impact the Group's operations in terms of reduced profitability, increased costs and/or a reduction in operational flexibility or efficiency. | The Group actively engages with the relevant government and regulatory bodies and we have collaborative communication with our key vendors and partners to help ensure we are properly positioned to respond to changes. |
| Data security (including cyber security and GDPR) | All business sectors are targeted by increasingly sophisticated cyber attacks, which could lead to the loss of data, financial losses (e.g ransomware) and an adverse impact on our reputation. A failure to comply with the General Data Protection Regulation (GDPR) could also result in significant penalties and reputational damage. | We have multiple threat detection systems across our business that are aligned to industry best practice as defined by National Institute of Standards and Technology (NIST). Defences are regularly tested through vulnerability scans and penetration testing and we continue to remain vigilant to security improvements when identified. All our people undertake continual cybersecurity awareness training to ensure they are fully informed of the risks and how to combat them. |
| Supply chain | Shortage of supply may increase costs or extend lead times causing delays. A lack of protection from cyber security or awareness of ESG requirements could also adversely impact our services to customers. | The Group has a strong network of vendors and partners, which reduces the reliance upon any specific supplier and minimise disruption to customers. We regularly review our suppliers for adherence with our cyber security and ESG requirements and update them as required. |

## Principal Risks and Uncertainties (continued)

| Matter of concern | Potential impact on the Group | Mitigating actions |
|---|---|---|
| Acquisition integration | The Group strategically explores acquisition opportunities that align with our culture and values and will complement our core business activities. However, there is a risk that the Group fails to achieve these objectives and there is a loss in revenue and profitability. | Robust financial, legal and operational due diligence is undertaken involving specialist external advisors alongside senior members of the Group's management team. A detailed project plan is established to manage the integration into wider operational teams, which also includes ongoing review and appraisal against critical success factors. |
| Colleague costs, recruitment and retention | Colleague costs represent a significant expense to the Group and new regulation or inflationary pressures could increase these costs. Competition for colleagues can lead to shortages which increase costs and affect service delivery. | The Group seeks to mitigate these risks via its recruitment and retention policies, training schemes and working practices. We pride ourselves on our commitment to workplace engagement, which includes continued support of colleagues through the cost of living crisis and regular review of colleague renumeration and benefits. |

This Strategic Report was approved by the Board and signed on Its behalf.

Andrew Jackson

**A O Jackson**

Group CEO

26/7/2024

# DIRECTORS' REPORT

The Directors are please to present their report and the audited financial statements for the year ended 31 December 2023.

## Directors Responsibilities Statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated audited financial statements of the Group and Company in accordance with applicable law and regulations.

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

In preparing these audited financial statements of the Group and Company, 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited financial statements of the Group and Company on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the audited financial statements of the Group and Company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Results and Dividends

The profit for the year, after taxation, amounted to £813,000 (2022 - £1,463,000).

The Directors do not recommend or have paid a dividend during the year (2022 - £Nil).

## Directors

The Directors who served during the year were:

A R Jackson
A M Jackson
A O Jackson
C D Sharp

## Colleagues

The Group places a strong emphasis on colleague selection and retention and we are as dedicated to our workforce as we are to our customers. We pride ourselves on offering exceptional training, guidance and career development.

Colleague performance is aligned to Group goals through an annual performance review process that is carried out with all staff. Training and development courses are encouraged and feature as part of the appraisal reviews.

The Group is committed to the principle of equality of opportunity in employment and seeks to ensure that no colleague or applicant is treated less favourably on the grounds of age, disability, gender, gender reassignment, pregnancy, maternity, race, sexual orientation, religion or belief, or because they are married or in a civil partnership or are disadvantaged by conditions or requirements which cannot be objectively justified. The Group strives to create an enjoyable, challenging and progressive colleague experience where a healthy work/life balance and general well-being is encouraged and supported by a flexible reward and benefits package.

Details on colleague engagement can be found within the Group's Section 172 statement in the Strategic Report.

## Statement on engagement with suppliers, customers and others in a business relationship with the company

Details on how the Group has fostered relationships with suppliers, customers and others can be found within the Group's Section 172 statement in the Strategic Report.

## Future Developments

There are no future developments to report.

## Streamlined energy and carbon reporting (SECR)

The section below presents the energy usage and associated carbon dioxide emissions for Intercity Technology Limited's operations that are based in the UK. This section has been prepared in compliance with the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

| GHG Emissions | Units | 2023 | 2022 |
|---|---|---|---|
| Emissions from combustion of gas (Scope 1) | tCO2e | 0.0 | 0.0 |
| Emissions from consumption of fuel for transport purposes (Scope 1) | tCO2e | 6.3 | 5.7 |
| Emissions from purchases electricity (Scope 2) | tCO2e | 238.1 | 254.4 |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing fuel (Scope 3) | tCO2e | 105.0 | 66.2 |
| **Total gross emissions** | **tCO2e** | **349.4** | **326.3** |
| **Energy consumption used to calculate above emissions** | **KWh** | **1,432,392** | **1,520,328** |

**Intensity Ratios**

Intensity ratios have been calculated from the value of turnover and colleague costs and include all of the energy usage and emissions stated within the values reported above and in accordance with the methodology applied.

| Intensity Ratios | Units | 2023 | 2022 |
|---|---|---|---|
| Turnover | tCOSe/£'000 | 0.01 | 0.01 |
| Colleagues | tCOSe/ANOE | 1.65 | 1.73 |

**Methodologies**

The HM Government Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting guidance published in March 2019 has been followed. Carbon emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard using the DEFRA emissions factors.

**Energy Efficiency**

The group continues to focus on reducing energy consumption and carbon emissions. Our Birmingham and Bolton sites for facilities and operations for data centre / server and comms, managed services operations for clients, communications provider and associated central administrative and commercial functions are certified to Energy Management System ISO50001:2018.

Whilst business travel has increased due to business growth, examples of our main measures to achieve the reduction in energy consumption include, closure of offices with minimal footfall, replacing inefficient assets with energy efficient equipment (such as LED lighting in our Bolton Office, LED lighting in 2 of 4 floors in our Birmingham Office, and our Bolton Office Network Operation Centre monitoring screens), and continued investment in network rationalisation to remove legacy networks. We have also changed our Birmingham Office energy source to renewable energy (REGO).

## Qualifying third party indemnity provisions

During the year ended 31 December 2023 and at the date of this report, the Company has made an indemnity for the benefit of A R Jackson, A M Jackson, C D Sharp and A O Jackson which is a qualifying indemnity provision for the purposes of Section 234 of the Companies Act 2006.

## Matters covered In the Strategic Report

The strategic report contains details relating to principal activities and business review. The Company's exposure to financial risks are described in the Strategic report.

## Disclosure of Information to auditors

The Directors confirm that:

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

## Post Balance Sheet events

On the 25 April Intercity Technology Limited acquired the entire share capital of Centrality Management Limited.

## Independent auditors

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

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

Andrew Jackson

**A O Jackson**

Group CEO

26/7/2024

# Independent auditor's report to the members of Intercity Technology Limited

## Opinion

We have audited the financial statements of Intercity Technology Limited for the year ended 31 December 2023, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group and the parent company's affairs as at 31 December 2023 and of its profit for the year then ended;
- the 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 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 and 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 and the parent company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group and the parent company's financial resources or ability to continue operations over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group 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.

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

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

We have nothing to report in this regard.

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 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 and 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.

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

- We have obtained an understanding of the legal and regulatory frameworks applicable to the group and the parent company and determined that the following laws and regulations were most significant: Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements such as tax legislation, and employment law.
- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the parent company and the industry in which it operates through our general, commercial & sector experience, discussions with management and review of legal expenses recorded during the year.
- We obtained an understanding of how the group and the parent company is complying with those legal and regulatory frameworks by making inquiries of management and of those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the group and the parent company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by
  - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - Identifying and testing journal entries, in particular manual journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - 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 / regulated 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 communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

**Use of our report**

This report is made solely to the group and the parent 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 group and the parent 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 group and the parent company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Rebecca Eagle FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
26/7/2024

## Consolidated Statement of Comprehensive Income
## For the Year Ended 31 December 2023

| | Note | 2023 £000 | *2022 £000* |
|---|---|---|---|
| Turnover | 4 | **39,284** | *35,306* |
| Cost of sales | | **(23,189)** | *(21,079)* |
| **GROSS PROFIT** | | **16,095** | *14,227* |
| Administrative expenses | | **(12,967)** | *(11,863)* |
| **OPERATING PROFIT** | 5 | **3,128** | *2,364* |
| *Exceptional Colleague Costs* | | **(600)** | *(400)* |
| Amortisation and Depreciation | | **(1,315)** | *(1,154)* |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST** | | **1,213** | *810* |
| Interest receivable and similar income | 9 | **553** | *160* |
| **PROFIT BEFORE TAXATION** | | **1,766** | *970* |
| Tax on profit | 10 | **(953)** | *493* |
| **PROFIT FOR THE FINANCIAL YEAR** | | **813** | *1,463* |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **813** | *1,463* |
| **Profit for the year attributable to:** | | | |
| Owners of the parent Company | | **813** | *1,463* |
| | | **813** | *1,463* |

There were no recognised gains and losses for 2023 or 2022 other than those included in the consolidated statement of comprehensive income.

The notes on pages 23 to 45 form part of these financial statements.

## Consolidated Balance Sheet
## As at 31 December 2023

| | Note | | 2023 £000 | | 2022 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 11 | | **3,110** | | *3,051* |
| Tangible assets | 12 | | **2,236** | | *2,286* |
| | | | **5,346** | | *5,337* |
| **CURRENT ASSETS** | | | | | |
| Stocks | 14 | **120** | | *192* | |
| Debtors: amounts falling due within one year | 15 | **12,873** | | *12,524* | |
| Cash at bank and in hand | 16 | **12,488** | | *12,490* | |
| | | **25,481** | | *25,206* | |
| Creditors: amounts falling due within one year | 17 | **(22,297)** | | *(23,426)* | |
| **NET CURRENT ASSETS** | | | **3,184** | | *1,780* |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **8,530** | | *7,117* |
| **PROVISIONS FOR LIABILITIES** | | | | | |
| **NET ASSETS** | | | **8,530** | | *7,117* |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 20 | | **10** | | *10* |
| Share option reserve | 21 | | **1,000** | | *400* |
| Profit and loss account | 21 | | **7,520** | | *6,707* |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | | | **8,530** | | *7,117* |

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

Andrew Jackson

**A O Jackson**
Director
26/7/2024

The notes on pages 23 to 45 form part of these financial statements.

## Company Balance Sheet
## As at 31 December 2023

| | Note | | 2023 £000 | | 2022 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 11 | | **5,958** | | *7,708* |
| Tangible assets | 12 | | **2,273** | | *2,321* |
| Fixed Asset Investments | 13 | | **5,674** | | *5,674* |
| | | | **13,905** | | *15,703* |
| **CURRENT ASSETS** | | | | | |
| Stocks | 14 | **120** | | *192* | |
| Debtors: amounts falling due within one year | 15 | **12,341** | | *12,495* | |
| Cash at bank and in hand | 16 | **11,276** | | *11,480* | |
| | | **23,737** | | *24,167* | |
| Creditors: amounts falling due within one year | 17 | **(27,907)** | | *(27,951)* | |
| **NET CURRENT LIABILITIES** | | | **(4,170)** | | *(3,784)* |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **9,735** | | *11,919* |
| **NET ASSETS** | | | **9,735** | | *11,919* |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 20 | | **10** | | *10* |
| Share option reserve | 21 | | **1,000** | | *400* |
| Profit and loss account | 21 | | **8,725** | | *11,509* |
| | | | **9,735** | | *11,919* |

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

Andrew Jackson

**A O Jackson**
Director
26/7/2024

The notes on pages 23 to 45 form part of these financial statements.

## Consolidated Statement of Changes in Equity
## For the Year Ended 31 December 2023

| | Called up share capital | Share Option reserve | Profit and loss account | Equity attributable to owners of parent Company | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2023 | 10 | 400 | 6,707 | 7,117 | 7,117 |
| **COMPREHENSIVE EXPENSE FOR THE YEAR** | | | | | |
| Profit for the year | - | - | 813 | 813 | 813 |
| Share option reserve movement | - | 600 | - | 600 | 600 |
| **TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR** | - | 600 | 813 | 1,413 | 1,413 |
| **Total transactions with owners** | - | - | - | - | - |
| **At 31 December 2023** | 10 | 1,000 | 7,520 | 8,530 | 8,530 |

The notes on pages 23 to 45 form part of these financial statements.

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

| | Called up share capital | Share Option reserve | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 January 2022 | 10 | - | 5,244 | 5,254 |
| **COMPREHENSIVE EXPENSE FOR THE YEAR** | | | | |
| Profit for the year | - | - | 1,463 | 1,463 |
| Share option reserve movement | - | 400 | - | 400 |
| **TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR** | - | 400 | 1,463 | 1,863 |
| **Total transactions with owners** | - | - | - | - |
| **At 31 December 2022** | 10 | 400 | 6,707 | 7,117 |

The notes on pages 23 to 45 form part of these financial statements.

## Company Statement of Changes in Equity
## For the Year Ended 31 December 2023

| | Called up share capital £000 | Share Option reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|---|
| **At 1 January 2022** | **10** | **-** | **12,406** | **12,416** |
| **Comprehensive income for the year** | | | | |
| Loss for the year | - | - | **(897)** | **(897)** |
| Share option reserve movement | - | **400** | - | **400** |
| **Total comprehensive income for the year** | - | **400** | **(897)** | **(497)** |
| **Total transactions with owners** | - | - | - | - |
| **At 1 January 2023** | **10** | **400** | **11,509** | **11,919** |
| **Comprehensive income for the year** | | | | |
| Loss for the year | - | - | **(2,784)** | **(2,784)** |
| Share option reserve movement | - | **600** | - | **600** |
| **Total comprehensive income for the year** | - | **600** | **(2,784)** | **(2,184)** |
| **Total transactions with owners** | - | - | - | - |
| **At 31 December 2023** | **10** | **1,000** | **8,725** | **9,735** |

The notes on pages 23 to 45 form part of these financial statements.

## Consolidated Statement of Cash Flows
## For the Year Ended 31 December 2023

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the year | 813 | 1,463 |
| **ADJUSTMENTS FOR:** | | |
| Amortisation of intangible assets | 812 | 637 |
| Depreciation of tangible assets | 503 | 518 |
| Loss on disposal of tangible assets | (14) | - |
| Interest received | (553) | (160) |
| Taxation charge | 953 | (493) |
| Decrease/(increase) in stocks | 72 | (57) |
| (Increase) in debtors | (1,142) | (892) |
| (Increase) /decrease in amounts owed by groups | (179) | - |
| (Decrease) /increase in creditors | (397) | 1,455 |
| Corporation tax (paid) /received | (114) | 40 |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | 754 | 2,511 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of intangible fixed assets | (871) | (2,918) |
| Purchase of tangible fixed assets | (536) | (354) |
| Sale of tangible fixed assets | 98 | - |
| Interest received | 553 | 160 |
| **NET CASH USED IN INVESTING ACTIVITIES** | (756) | (3,112) |
| **(DECREASE) I N CASH AND CASH EQUIVALENTS** | (2) | (601) |
| Cash and cash equivalents at beginning of year | 12,490 | 13,091 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | 12,488 | 12,490 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:** | | |
| Cash at bank and in hand | 12,488 | 12,490 |
| | 12,488 | 12,490 |

The notes on pages 23 to 45 form part of these financial statements.

## Consolidated Analysis of Net Debt
## For the Year Ended 31 December 2023

| | At 1 January 2023 £000 | Cash flows £000 | At 31 December 2023 £000 |
|---|---|---|---|
| Cash at bank and in hand | **12,490** | **(2)** | **12,488** |
| | **12,490** | **(2)** | **12,488** |

The notes on pages 23 to 45 form part of these financial statements.

## 1. GENERAL INFORMATION

Intercity Technology Limited ("the Company") is a private company limited by shares and is incorporated in the United Kingdom and registered in England.

The address of the Company's registered office and principal place of business is 101-114 Holloway Head, Birmingham, West Midlands, B1 1QP.

The Company's principal activities are the delivery of mobility solutions, unified communications, hosting and IT managed services and the sale of related equipment.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The group and individual financial statements of Intercity Technology Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) 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 Group management to exercise judgement in applying the Group and Company's accounting policies. The areas involving judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, 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. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.3 GOING CONCERN

As noted in the business review, the diversification and financial strength of the business means we are extremely well placed to grow through the pandemic and beyond. Covid-19 and the subsequent economic downturn has led to a reduction in variable Mobile usage and delays to larger scale customer projects. However, our divisional focus and diverse product portfolio enables businesses to adapt to the new working environment in a secure manner across Communications, Cloud and Security and Managed Services. This has led to an increased demand for new services such as Direct Calling for Microsoft Teams, Cloud Hosting and outsourced IT support, which complement and enhance our other core IT and technology solutions that underpin each and every organisation.

After considering the Group's financial position and performance, future projections and other relevant financial matters, the Directors are satisfied that on the date of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

### 2.4 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue streams include mobile, unified communications, telephony, connectivity, cloud & security, hosting and managed services.

Recurring monthly revenues are recognised as the services are provided whereas, variable revenues are recognised when the usage is incurred and any usage made in the year, but not billed by year end is accrued in trade debtors as accrued income. Revenue and related costs from the sale of equipment is recognised upon the despatch of goods.

Contracts with key providers may stipulate when rights to revenue have been earned. This may be the commencement of a contract with a customer or over the terms of the customer contract, and revenue is recognised in accordance with these terms.

Revenue from a contract to provide services is recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue is measured at the fair value of the work performed by reference to the amounts chargeable to clients, excluding value added tax. Revenue not billed to clients is included at the balance sheet date and is included in accrued income.

### 2.5 INTEREST INCOME

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.6 COLLEAGUE BENEFITS

The costs of short-term colleague benefits are recognised as a liability and an expense.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of a colleague or to provide termination benefits.

The Company operates a share-based payment scheme via an Enterprise Management Incentive. The options are granted with an exercise price equaling the nominal value of the shares, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised.

### 2.7 PENSIONS

**Defined contribution pension plan**

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 they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

### 2.8 RESEARCH AND DEVELOPMENT

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

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.9 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

### 2.10 FINANCE COSTS

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

### 2.11 EXCEPTIONAL ITEMS

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.12 INTANGIBLE ASSETS

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

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

Amortisation is provided on the following bases:

| | | |
|---|---|---|
| Intellectual property | - | 20% straight line |
| Goodwill | - | 20% straight line |
| Customer contracts | - | 20% straight line |
| Computer software | - | 14.3% to 33.3% straight line |

**Goodwill**

Goodwill is accounted for by recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities) of the acquired business at fair value. Goodwill is initially measured at cost, being the difference between amounts paid on the acquisition of a business and the net fair value of the acquiree's identifiable assets and liabilities. The results of the acquired entities are included in the Company's results from the date when control passes to the Company. Goodwill is valued at cost less accumulated impairment.

Goodwill is amortised to the Consolidated Statement of Comprehensive Income over its estimated economic life. It is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill allocated to a cash generating unit may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

**Customer contracts and relationships**

Customer contracts are accounted for at fair value which is determined by the net present value of the future cash flow benefits anticipated to arise from the acquired customer base less accumulated amortisation and impairment losses.

**Intellectual property**

Intellectual property (IP) is valued by assessing the net present value of a market based royalty cost to the Company for use of the acquired licence as an estimate of the benefit to the Company of holding the licence itself.

### 2.13 TANGIBLE FIXED ASSETS

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.13 TANGIBLE FIXED ASSETS (continued)

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

Depreciation is provided on the following basis:

| | |
|---|---|
| Freehold property | - 2% straight line |
| Motor vehicles | - 25% straight line |
| Fixtures, fittings and equipment | - 20% to 33.33% straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.14 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less provision for impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period.

### 2.15 STOCKS

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

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

### 2.16 DEBTORS

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at bank, in hand and short term deposits with a maturity of three months or less.

### 2.18 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.18 FINANCIAL INSTRUMENTS (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

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

### 2.19 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.20 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.

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 balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.21 FOREIGN CURRENCY TRANSLATION

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

Exchange gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

### 2.22 OPERATING LEASES: THE GROUP AS LESSEE

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.23 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

## 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and judgements concerning the present and future key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the key assumptions include:

**Amortisation of intangible assets** - Intangible assets and goodwill are amortised over their useful economic lives. The useful economic life of all intangible assets, including intellectual property, customer relationships and goodwill, is assessed by reference to the anticipated minimum period over which the asset is expected to remain separately identifiable and cash generative. Detailed impairment reviews will be carried out annually on all elements of intangible assets and goodwill, together with further consideration of the useful economic life of these elements.

**Useful economic life of tangible assets** - Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

**Debtors** - debtors are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices or loan agreements where recoverability is uncertain.

**Provisions** - provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes. Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the balance sheet.

**Share based payments** - the business has recognised a share based payment charge for the estimation of the fair value of share options and this can be seen in note 21 within "other reserves". This assessment relies on a series of assumptions, applied to a valuation model which inherently contains a degree of estimation uncertainty.

**Fair value of revenue recognised on incomplete contracts** - A contracts percentage completion is reviewed based on a review of time allocated to the contract and the completion of significant milestones. Revenue is recognised accordingly as required to fairly reflect costs incurred to date.

## 4. TURNOVER

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Provision of Services | **39,284** | *35,306* |
| | **39,284** | *35,306* |

Analysis of turnover by country of destination:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| United Kingdom | **39,284** | *35,306* |
| | **39,284** | *35,306* |

## 5. OPERATING PROFIT

The operating profit is stated after charging:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Depreciation of tangible fixed assets | **503** | *518* |
| Amortisation of intangible assets, including goodwill | **812** | *637* |
| Other operating lease rentals | **114** | *234* |
| Exchange differences | **-** | *10* |

## 6. AUDITORS' REMUNERATION

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements | **78** | *55* |

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

## 7. COLLEAGUES

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

| | Group 2023 £000 | Group 2022 £000 | Company 2023 £000 | Company 2022 £000 |
|---|---|---|---|---|
| Wages and salaries | **11,200** | *10,293* | **11,048** | *10,218* |
| Social security costs | **1,044** | *939* | **1,027** | *936* |
| Cost of defined contribution scheme | **315** | *243* | **311** | *241* |
| | **12,559** | *11,475* | **12,386** | *11,395* |

Included in Wages & Salaries costs are £600,000 (2022 - £400,000) relating to the in year cost of the expected liability from an EMI scheme (see note 21).

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

| | 2023 No. | 2022 No. |
|---|---|---|
| Sales and marketing | **45** | *40* |
| Customer service | **46** | *45* |
| Service and installation | **60** | *56* |
| Office and management | **61** | *48* |
| | **212** | *189* |

## 8. DIRECTORS' REMUNERATION

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Directors' emoluments | **434** | *431* |
| | **434** | *431* |

During the year retirement benefits were accruing to 1 Director *(2022 - 1)* in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £331 thousand *(2022 - £302 thousand)*.

The highest paid did not exercise any share options and is not due to receive any shares under a long term incentive scheme in respect of qualifying services.

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL *(2022 - £NIL)*.

## 9. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Bank interest receivable and investment returns | 553 | 160 |
| | 553 | 160 |

## 10. TAXATION

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **CORPORATION TAX** | | |
| Current tax on profits for the year | - | 75 |
| Adjustments in respect of previous periods | - | 87 |
| | - | 162 |
| **TOTAL CURRENT TAX** | - | 162 |
| **DEFERRED TAX** | | |
| Origination and reversal of timing differences | 953 | (137) |
| Changes to tax rates | - | (518) |
| **TOTAL DEFERRED TAX** | 953 | (655) |
| **TAXATION ON PROFIT ON ORDINARY ACTIVITIES** | 953 | (493) |

## 10. TAXATION (CONTINUED)

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2022 - lower than)* the standard rate of corporation tax in the UK of 23.52% *(2022 - 19.00%)*. The differences are explained below:

| | 2023<br>£000 | *2022*<br>*£000* |
|---|---|---|
| *Profit on ordinary activities before tax* | **1,766** | *970* |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19.00%) | **415** | *184* |
| **EFFECTS OF:** | | |
| Expenses not deductible for tax purposes | **190** | *5* |
| Capital allowances for year in excess of depreciation | **165** | *42* |
| Remeasurement of deferred tax for changes in tax rates | **-** | *(517)* |
| Adjustments to tax charge in respect of prior periods | **183** | *(207)* |
| **TOTAL TAX CHARGE FOR THE YEAR** | **953** | *(493)* |

### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

During the year, the applicable rate of corporation tax was 19% which is expected to remain until 1 April 2023. From 1 April 2023, the main rate of corporation tax will increase to 25% applying to taxable profits *over £250,000. The Company has restated its deferred tax balances at 25% as this is the rate which is* expected to be applicable to values associated.

## 11. INTANGIBLE ASSETS

### Group

| | Intellectual Property £000 | Customer Contracts £000 | Computer software £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2023 | 2,358 | 264 | 2,633 | 100 | 5,355 |
| Additions | - | - | 871 | - | 871 |
| At 31 December 2023 | 2,358 | 264 | 3,504 | 100 | 6,226 |
| **Amortisation** | | | | | |
| At 1 January 2023 | 275 | 31 | 1,986 | 12 | 2,304 |
| Charge for the year on owned assets | 472 | 53 | 267 | 20 | 812 |
| At 31 December 2023 | 747 | 84 | 2,253 | 32 | 3,116 |
| **Net book value** | | | | | |
| At 31 December 2023 | 1,611 | 180 | 1,251 | 68 | 3,110 |
| *At 31 December 2022* | *2,083* | *233* | *647* | *88* | *3,051* |

Acquisition related amortisation, comprising the amortisation of intellectual property, customer contracts and goodwill, has been disclosed separately on the face of the Consolidated Statement of Comprehensive Income to assist assessment of the underlying trading of the Group.

## 11. *INTANGIBLE ASSETS (CONTINUED)*

**Company**

| | Computer software £000 | Goodwill £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2023 | **2,490** | **11,766** | **14,256** |
| Additions | **871** | **-** | **871** |
| At 31 December 2023 | **3,361** | **11,766** | **15,127** |
| **Amortisation** | | | |
| At 1 January 2023 | **1,842** | **4,706** | **6,548** |
| Charge for the year | **267** | **2,354** | **2,621** |
| At 31 December 2023 | **2,109** | **7,060** | **9,169** |
| **Net book value** | | | |
| At 31 December 2023 | **1,252** | **4,706** | **5,958** |
| *At 31 December 2022* | *648* | *7,060* | *7,708* |

## 12. TANGIBLE FIXED ASSETS

**Group**

| | Freehold property £000 | Motor vehicles £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2023 | **1,622** | **111** | **2,914** | **4,647** |
| Additions | **-** | **243** | **293** | **536** |
| Disposals | **-** | **(111)** | **-** | **(111)** |
| At 31 December 2023 | **1,622** | **243** | **3,207** | **5,072** |
| **Depreciation** | | | | |
| At 1 January 2023 | **659** | **-** | **1,702** | **2,361** |
| Charge for the year on owned assets | **35** | **39** | **429** | **503** |
| Disposals | **-** | **(28)** | **-** | **(28)** |
| At 31 December 2023 | **694** | **11** | **2,131** | **2,836** |
| **Net book value** | | | | |
| At 31 December 2023 | **928** | **232** | **1,076** | **2,236** |
| *At 31 December 2022* | *963* | *111* | *1,212* | *2,286* |

Included in freehold property is freehold land of £150,000 (2022 - £150,000) which is not depreciated.

## 12. TANGIBLE FIXED ASSETS (CONTINUED)

**Company**

| | Freehold property £000 | Motor vehicles £000 | Fixtures, fittings & equipment £000 | Total £000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2023 | 1,622 | 111 | 3,707 | 5,440 |
| Additions | - | 243 | 293 | 536 |
| Disposals | - | (111) | - | (111) |
| At 31 December 2023 | 1,622 | 243 | 4,000 | 5,865 |
| **Depreciation** | | | | |
| At 1 January 2023 | 659 | - | 2,460 | 3,119 |
| Charge for the year on owned assets | 35 | 39 | 427 | 501 |
| Disposals | - | (28) | - | (28) |
| At 31 December 2023 | 694 | 11 | 2,887 | 3,592 |
| **Net book value** | | | | |
| At 31 December 2023 | 928 | 232 | 1,113 | 2,273 |
| *At 31 December 2022* | *963* | *111* | *1,247* | *2,321* |

Included in freehold property is freehold land of £150,000 (2022 - £150,000) which is not depreciated.

## 13. FIXED ASSET INVESTMENTS

**Company**

| | Investments in subsidiary companies £000 |
|---|---|
| **COST** | |
| At 1 January 2023 | **5,674** |
| At 31 December 2023 | **5,674** |
| **Net book value** | |
| At 31 December 2023 | **5,674** |
| *At 31 December 2022* | *5,674* |

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding |
|---|---|---|
| Intercity Networks Limited | Ordinary | 100% |
| Intercity Managed Services Limited | Ordinary | 100% |
| Chandler Communications Limited | Ordinary | 100% |

The registered office for all above subsidiaries is 101-114 Holloway Head, Birmingham, West Midlands, B1 1QP.

## 14. STOCKS

| | Group 2023 £000 | *Group 2022 £000* | Company 2023 £000 | *Company 2022 £000* |
|---|---|---|---|---|
| Finished goods and goods for resale | **120** | *192* | **120** | *192* |
| | **120** | *192* | **120** | *192* |

Stocks are stated after provisions for impairment of £Nil (2022 - £35,000) for the Group and Company.

Stock recognised in cost of sales during the year as an expense was £3,884,000 (2022 - £3,602,000) for the Group and Company.

## 15. DEBTORS

| | Group 2023 £000 | Group 2022 £000 | Company 2023 £000 | Company 2022 £000 |
|---|---|---|---|---|
| Trade debtors | 3,784 | 3,349 | 3,481 | 2,840 |
| Amounts owed by group undertakings | - | - | - | 934 |
| Amounts owed by connected companies | 175 | 13 | 175 | 13 |
| Other debtors | 333 | 155 | 333 | 83 |
| Prepayments and accrued income | 7,408 | 6,881 | 7,179 | 6,499 |
| Deferred taxation | 1,173 | 2,126 | 1,173 | 2,126 |
| | 12,873 | 12,524 | 12,341 | 12,495 |

Trade debtors are stated after provision for impairment of £64,000 (2022 - £123,000) for the Group and £64,000 (2022 - £123,000) for the Company.

The amounts owed by connected companies and group undertakings are unsecured and are repayable upon demand.

## 16. CASH AND CASH EQUIVALENTS

| | Group 2023 £000 | Group 2022 £000 | Company 2023 £000 | Company 2022 £000 |
|---|---|---|---|---|
| Cash at bank and in hand | 12,488 | 12,490 | 11,276 | 11,480 |
| | 12,488 | 12,490 | 11,276 | 11,480 |

Current asset investments represent listed and non-listed investments and are shown at market value.

## 17. CREDITORS: Amounts falling due within one year

| | **Group 2023 £000** | *Group 2022 £000* | **Company 2023 £000** | *Company 2022 £000* |
|---|---|---|---|---|
| Trade creditors | **2,958** | *3,045* | **2,912** | *2,938* |
| Amounts owed to ultimate parent company | **12,262** | *12,262* | **18,144** | *17,473* |
| Amounts owed to connected companies | **-** | *17* | **-** | *17* |
| Corporation tax | **-** | *115* | **-** | *-* |
| Other taxation and social security | **1,219** | *1,357* | **1,124** | *1,216* |
| Other creditors | **3,311** | *3,053* | **3,311** | *3,053* |
| Accruals and deferred income | **2,547** | *3,577* | **2,416** | *3,254* |
| | **22,297** | *23,426* | **27,907** | *27,951* |

The amounts owed to connected companies and group undertakings are unsecured and are repayable upon demand.

## 18. FINANCIAL INSTRUMENTS

| | **Group 2023 £000** | *Group 2022 £000* | **Company 2023 £000** | *Company 2022 £000* |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| Financial assets measured at fair value through profit or loss | **-** | *-* | **-** | *-* |
| Financial assets measured at amortised cost | **4,292** | *2,895* | **4,923** | *3,250* |
| Cash and cash equivalents | **12,488** | *12,490* | **11,276** | *11,480* |
| | **16,780** | *15,385* | **16,199** | *14,730* |
| **FINANCIAL LIABILITIES** | | | | |
| Financial liabilities measured at amortised cost | **(21,078)** | *(21,335)* | **(26,783)** | *(26,116)* |

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings, amounts owed by connected companies and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to ultimate parent company, amounts owed to connected companies, other creditors and accruals.

## 19. DEFERRED TAXATION

### Group

| | 2023 £000 | 2022 £000 |
|---|---|---|
| At beginning of year | **2,126** | *1,472* |
| Charged to the profit or loss | **(953)** | *654* |
| ***At end of year*** | **1,173** | *2,126* |

### Company

| | 2023 £000 | 2022 £000 |
|---|---|---|
| At beginning of year | **2,126** | *1,472* |
| Credited to the statement of comprehensive income | **(953)** | *654* |
| **At end of year** | **1,173** | *2,126* |

The deferred tax asset is made up as follows:

| | Group 2023 £000 | Group 2022 £000 | Company 2023 £000 | Company 2022 £000 |
|---|---|---|---|---|
| Accelerated capital allowances | **(358)** | *(328)* | **(358)** | *(328)* |
| Tax losses carried forward | **1,558** | *2,509* | **1,558** | *2,509* |
| Short term timing differences | **(27)** | *(55)* | **(27)** | *(55)* |
| | **1,173** | *2,126* | **1,173** | *2,126* |

## 20. CALLED UP SHARE CAPITAL

| | 2023 £000 | *2022 £000* |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 10,000 *(2022 - 10,000)* Ordinary shares of £1.00 each | **10** | *10* |
| | **10** | *10* |

Shares entitle the holders to cast one vote per share.

Shares entitle the holders to participate in such dividend as the board may decide.

Shares are not redeemable.

## 21. RESERVES

**Profit and loss account**

Includes all current and prior period retained profits and losses, net of dividends paid.

**Share option reserve**

The Company has an approved EMI share option scheme for certain key management and directors comprising B share options. The options are valued using the Black-Scholes valuation model.

Options vest at the earlier of;
- When performance conditions of specific performance targets are met; or
- Occurrence of the next transaction.

**Details of the options issued under the approved scheme are as follows:**

| | Number | Weighted average exercise price |
|---|---|---|
| Granted during the prior year | *842,292* | *0.40p* |
| Granted during the current year | *58,649* | *0.70p* |

The share-based payment charge recognised in these accounts totalled £600,000 (2022 - £400,000).

## 22. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £315,000 (2022 – £243,000).

There were outstanding contributions at the end of the financial year of £Nil (2022 - £Nil).

## 23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | **Group 2023 £000** | *Group 2022 £000* |
|---|---|---|
| Not later than 1 year | **111** | *136* |
| Later than 1 year and not later than 5 years | **173** | *283* |
| | **284** | *419* |

## 24. RELATED PARTY TRANSACTIONS

| | **2023 £000** | *2022 £000* |
|---|---|---|
| **Balances due from Connected Companies** | | |
| GuidingLight Investments Limited | **103** | *13* |
| Suntrust Pension Scheme | **72** | - |
| | **175** | *13* |
| **Balances due to Connected Companies** | | |
| GuidingLight Finance Limited | - | *(17)* |
| | **175** | *(4)* |

Balances due to and from connected companies represent trading accounts, which are non-interest bearing and loan financing which are unsecured and interest bearing (see notes 15 and 17).

## 25. POST BALANCE SHEET EVENTS

On the 25 April Intercity Technology Limited acquired the entire share capital of Centrality Management Limited.

The expected impact of the acquisition is an annualised increase in turnover of £18,000,000 and operating profit of £1,200,000.

## 26. CONTROLLING PARTY

The ultimate parent undertaking is Intercity Technology Holdings Limited, a company incorporated in the United Kingdom and controlled by Mr A O Jackson. The financial statements of Intercity Technology Holdings Limited can be obtained from the registered office.