

ANS Group Limited

Unaudited Annual Report and Financial Statements

For the year ended 31 December 2022



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Company Information

Directors

Catherine Greening (resigned 14 November 2022)
Carl Wormald (appointed 29 September 2022)
Christopher Hodgson (resigned 29 September 2022)
Paul Shannon (resigned 29 September 2022)
Steven Townsley (resigned 8 September 2022)
Mohammed Akhtar (appointed 9 February 2023)
Roderick Green (appointed 9 February 2023)
Victoria McCahill (appointed 6 October 2022)
Richard Thompson (appointed 6 October 2022)
Joseph Wolski (appointed 9 February 2023)

Auditor

Deloitte LLP
Statutory Auditor
The Hanover Building
Corporation Street
Manchester
M4 4AH

Bankers

National Westminster Bank
Manchester City Centre
19 Market Street
Manchester
M1 1WR

Registered Office

1 Archway
Birley Fields
Manchester
M15 5QJ

Strategic Report

The directors present their strategic report, directors' report and the financial statements for the year ended 31 December 2022 for ANS Group Limited.

Overview and operational highlights

The Company delivers market-leading cloud and hosting platforms for businesses and government organisations to outsource critical IT infrastructure.

During the year the Company completed the integration of the brand names, operations, staff-base and management of the former UKFast and ANS businesses following the 2021 acquisition of ANS. From 1 April 2022 the two trading subsidiaries were legally merged under ANS Group Limited by way of ANS Group Limited acquiring the trade and assets of ANS Group Limited.

In October 2022 Richard Thompson was appointed CEO for the Group, with other key board appointments since then including new joiners as CFO, CPO and COO along with promotions from within the existing management to the board of directors.

2022 was a year of change for ANS, while facing the challenges of attracting, training and retaining high quality talent to serve existing and new customers. The pay rates in the UK labour market, particularly for technical and other specialist staff, continued to rise, driving cost pressure. In 2022 we saw additional costs from much higher electricity power costs at our data centres although by early 2023 power prices had reduced from the peaks seen in 2022.

Financial highlights

The directors consider the key performance indicators for the Company to be:

	2022	2021
Turnover	£102.2m	£40.9m
Gross Margin	45.9%	44.1%
Adjusted EBITDA*	£20.0m	£8.5m

*Adjusted EBITDA represents the operating profit, adjusted to exclude the impact of depreciation, amortisation and exceptional items.

Section 172(1) statement

In performing their duties under section 172 of the Companies Act 2016, the directors of the Company, whilst aiming to promote the success of the Company, also remain conscious of the impact their decisions have on employees, customers, suppliers, investors, communities and the environment. Such decisions are made at Group level on behalf of subsidiaries including ANS Group Limited.

The business provides digital transformation and critical IT infrastructure services to its customers and its relationships with customers are characterised by multi-year contracts and many of its customer trading relationships are long-term in nature. Trust is critical to these multi-year

Strategic Report (continued)

relationships and account managers are skilled in developing that trust. In addition, we operate an executive sponsor scheme with directors taking responsibility for supporting designated customers. The Company has ambitious growth plans and understands that they can only be achieved by building strong foundations based upon high levels of commercial and operational integrity.

The Company has a number of key suppliers where it has built strong relationships and developed mutually beneficial and lasting partnerships. We liaise regularly with these suppliers to understand their key drivers and adapt our thinking to support their needs as appropriate. In addition, we encourage employees to attend training and education events provided by key suppliers to further cement those relationships.

The key decisions taken by directors during the financial period and the impact on stakeholders considered are:

- Combine the trade and assets of ANS Group Ltd and ANS Group Ltd into one legal entity and to merge sales and operations over the course of 2022 to create a single, efficient organisation capable of meeting all our customers' private and public cloud needs
- Maintaining prompt payment practices to suppliers.
- Investing in training for employees, with a commitment to digital training and education to upskill and develop employees.
- Supporting volunteer days (5 per annum per employee) and also developing links with 4 local charities as a focus for engagement and fund raising
- Continuously reviewing our energy consumption whilst looking for efficiencies within data centres, adoption of an electric car scheme for employees and a clear brief to the 2022 office refurbishment team to adopt environmentally friendly ideas

Risk management

Like all businesses the Company faces a range of risks and uncertainties that could impact the delivery of the long-term strategy, spanning operational, finance, market and regulatory.

This section is intended to highlight the principal risks and uncertainties affecting the Company's business. Some risks may be unknown to the Company and therefore this section may not provide an exhaustive and comprehensive analysis of all risks and uncertainties which could have the potential to adversely impact the Company's business.

The Company has a risk management process for identifying, evaluating and managing significant risks. The Company risk register captures the most significant risks facing the Company. Each risk is assigned to a senior management owner responsible for monitoring and evaluating the risk and the appropriate mitigation strategies.

Key risks

Market risks

The Company competes with a wide variety of cloud and hosting providers, both in the UK and overseas, and failure to keep abreast of market and product trends could impact financial performance and growth. The Company monitors market developments closely and undertakes strategic reviews of the broader market periodically.

Strategic Report (continued)

The Company also puts significant internal resource into new product development and regularly launches new products based on customer feedback and needs.

Whilst there is uncertainty due to the wider macro-economic volatility, the impact on power costs in particular, and increased interest rates, the directors have undertaken a rigorous assessment on the potential impact on profitability and liquidity of the Company.

Operational risks

Continuity of service in the Data Centres is critical and any interruption of supply is a key risk. The Company operates from four separate data centre halls across Manchester all of which have spare capacity. Any issue at one site from risks such as fire, connectivity, malicious damage or natural disaster could be mitigated by the transfer of staff and services to the other data centres.

All of the data centres have been designed with resilience as a key factor. Our ISO-accreditation highlights our commitment to the rigorous security procedures and protocols that are always in place. With UPS systems, standby diesel generators and high-density infrastructures, our power supply is resilient and uninterrupted.

The loss of any particular customer is always a risk, however there is no key customer dependency with no single customer representing more than 2% of revenue.

The risk of losing key suppliers is mitigated by spreading our purchasing options between several different companies. The strength of the relationship with each supplier and the volume of activity generally ensures continuity of supply, even when there is shortage of a product.

Finance & liquidity risks

The Company requires adequate cash resources to enable it to fund its ongoing cash requirements and growth plans, however the Company is highly cash generative and has cash balances of £8.7m as at 31 December 2022.

The Company's credit risk is primarily attributable to its trade receivables. The Company has a very broad customer base, with no significant concentration of credit risk and exposure spread over many customers. Trade receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant and appropriate provision for bad debt risk is made.

The Company faces exposure to movement in energy prices, however, the Company manages this risk through fixing energy rates for future periods.

Approved by the Board and signed on its behalf by:



Richard Thompson, Director

25 September 2023

Directors' Report

The directors present their annual report and unaudited financial statements for the year ended 31 December 2022. Financial risk management objectives and policies, future developments and subsequent events have been included within the strategic report.

Results and dividends

The profit for the year after taxation amounted to £8.4m.

Research and development

The Company has undertaken a number of activities in the year in relation to research and development across various differing projects. The majority of development activity is performed in support of the Company's systems and in the provision of new and innovative products for its customers.

Directors

The directors who served the company during the year and up to the date of this annual report were as follows:

Catherine Greening (resigned 14 November 2022)
Carl Wormald (appointed 29 September 2022)
Christopher Hodgson (resigned 29 September 2022)
Paul Shannon (resigned 29 September 2022)
Steven Townsley (resigned 8 September 2022)
Mohammed Akhtar (appointed 9 February 2023)
Roderick Green (appointed 9 February 2023)
Victoria McCahill (appointed 6 October 2022)
Richard Thompson (appointed 6 October 2022)
Joseph Wolski (appointed 9 February 2023)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

The Group, of which the Company is part, has sufficient financial resources, together with contracts with a large number of customers across different industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors have undertaken a rigorous assessment on the Group's ability to continue as a going concern, as documented in the strategic report of the financial statements of ANS Group Holdings Limited (the highest parent company in which the Company's results are consolidated). The directors have a reasonable expectation that the Group has adequate resources to continue in

Directors' Report (Continued)

operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. UKFast is committed to providing equal opportunities for employees, investing in training and development across all employees. UKFast also has an active and engaged LGBTQ community.

Employee engagement

The Company places considerable value on the involvement of its employees, keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Feedback and ideas are welcomed through surveys and other, more informal channels. Further details on employee engagement and how the Company has regard to employees' interests when considering decisions taken by the Company is set out in the Section 172(1) statement in the Strategic report.

Business relationships

The Company places considerable value on having strong relationships with customers and suppliers. The Company engages in regular, open and proactive dialogue with stakeholders and their opinions are considered when making operational and strategic decisions.

Approved by the Board on 25 September 2023 and signed on its behalf by:



Richard Thompson
Director

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Statement of total comprehensive income

For the year ended 31 December 2022

		<i>Year ended</i>	<i>9 months</i>
	<i>Notes</i>	<i>Dec 22</i>	<i>ending</i>
		<i>£'000</i>	<i>Dec 21</i>
			<i>£'000</i>
<i>Turnover</i>	3	102,237	40,895
Cost of sales		(55,287)	(22,858)
<i>Gross profit</i>		46,950	18,037
Administrative expenses		(36,202)	(12,073)
<i>Operating profit</i>	4	10,748	5,964
Interest receivable	7	8	8
Interest payable and similar expenses	8	(986)	-
<i>Profit before taxation</i>		9,770	5,972
Tax	9	(1,381)	(869)
<i>Profit for the financial year</i>		8,389	5,103

The accompanying notes form an integral part of the financial statements. All activity in both years is derived wholly from continuing operations.

The company has no other comprehensive income other than the profit for the financial year and for the preceding year as shown above.

Balance sheet

<i>As at 31 December 2021</i>		2022	2021
	<i>Notes</i>	£	£
<i>Fixed assets</i>			
Intangible assets	10	11,606	7,595
Tangible assets	11	12,242	348
Investments	12	-	-
		23,848	7,942
<i>Current assets</i>			
Debtors: amounts due within one year	13	22,051	56,612
Cash at bank and in hand		8,746	6,071
		30,797	62,683
Debtors: amounts due after more than one year	14	75,496	-
<i>Creditors:</i> amounts falling due within one year	15	(37,504)	(23,535)
		92,637	47,090
<i>Total assets less current liabilities</i>			
Creditors: amounts falling due after more than one year	16	(38,927)	(1,769)
		53,710	45,321
<i>Net assets</i>			
<i>Capital and reserves</i>			
Ordinary shares	17	198	198
Share premium		2,321	2,321
Employee Benefit Trust Share Scheme		(2)	(2)
Other reserve		139	139
Capital redemption reserve		49	49
Profit and loss account		51,005	42,616
		53,710	45,321
<i>Shareholder's funds</i>			

For the financial period ending 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under this section, ANS Group Holdings Limited provides a parent guarantee for the company over its outstanding liabilities. The members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements of ANS Group Limited (registered number 03176761) were approved by the board of directors and authorised for issue on 25 September 2023. They were signed on its behalf by:


Richard Thompson
Director

Statement of changes in equity for the period ended 31 December 2022

Statement of changes in equity

For the year ended 31 December 2022

	Note	£'000	Ordinary shares	Share premium account	Employee Benefit Trust reserve	Capital redemption reserve	Other reserve	Retained earnings	Total Equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021		198	2,321	(2)	49	139	39,022	41,727	
Profit and total comprehensive income for the year							5,103	5,103	
Dividend paid							(1,317)	(1,317)	
Prior year adjustment							(192)	(192)	
Balance at 31 December 2021		198	2,321	(2)	49	139	42,616	45,321	
Balance at 1 January 2022		198	2,321	(2)	49	139	42,616	45,321	
Profit and total comprehensive income for the year							8,389	8,389	
Other adjustments							-	-	
Balance at 31 December 2022		198	2,321	(2)	49	139	51,005	53,710	

*Other Reserves is a non-distributable reserve relating to a former subsidiary undertaking.

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year. These financial statements present the Company's consolidated financial results and position for the year end 31 December 2022 and the comparative period ended 31 December 2021.

General information and basis of accounting

ANS Group Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its *principal activities* are set out in the *Strategic report*.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of ANS Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The Company's parent undertaking, ANS Group Holdings Limited includes the Company in its consolidated financial statements which are publicly available from Companies House.

ANS Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it as follows:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period as required by paragraph 4.12(a)(iv) of FRS 102
- Cash Flow Statement and related notes as required by paragraph 3.17(d) of FRS 102
- Key Management Personnel compensation as required by paragraph 33.7 of FRS 102

Consolidated financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared consolidated financial statements and it is exempt from the requirement to do so under Section 400 of the companies Act 2006.

Going concern

The Group, of which the Company is part, has sufficient financial resources, together with contracts with a large number of customers across different industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors have undertaken a rigorous assessment on the Group's ability to continue as a going concern, as documented in the strategic report of the financial statements of ANS Group Holdings Limited (the highest parent company in which the Company's results are consolidated). The directors have a reasonable expectation that the Group has adequate resources to continue

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life.

Land and buildings	–	4% straight-line
Leased plant and machinery	–	Over the shorter of the lease term and 3 years
Plant and machinery	–	Between 7% and 33% straight-line
Fixtures and fittings	–	25% straight-line
Computer and office equipment	–	25% straight-line

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Intangible assets – Development costs

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. Amortisation is charged evenly over the expected useful life of three years.

Revenue recognition

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

Revenue consists primarily of recurring monthly fees from hosting services which are recognised as the services are provided. Hosting service contracts range from one month to five years. Payments received and billings in advance of providing services are deferred until the services are provided. Unbilled revenues for services provided are accrued at the end of each period. Set up fees are charged to customers prior to the commencement of a hosting service contract and associated revenue is recognised over the life of the expected customer life. Consultancy services are generally provided on a "time and materials" basis and therefore revenue is recognised as these services are rendered. Revenue from the supply of hardware or software, and the provision

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

of services in respect of installation or training, is recognised when delivery and installation of the equipment is completed on a point in time basis. Any unearned portion of revenue is included in current liabilities as deferred income

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority.

The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and the assets useful economic life. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risk of ownership are assumed by the Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pensions

Contributions to defined contribution schemes are recognised in the Profit and loss account in the period in which they become payable.

Financial instruments

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

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument).

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the Group considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements (continued)

For the year ended 31 December 2022

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability, then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Investments

Investments in subsidiaries are measured at cost less impairment.

Related party transactions

In accordance with Section 33 of FRS 102, the Company has not disclosed details of transactions with fellow wholly owned undertakings within the ANS Group Holdings Limited group of companies.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

For some customers, the Company provides both on-going hosting services and consultancy services, software or hardware. As set-out in the accounting policies above, amounts for hosting services and associated set-up fees are recognised over the estimated customer life whilst the provision of other goods and services are generally recognised as they are performed. Where customer arrangements include multiple elements, determining whether it is appropriate to separate the provision of initial goods and services from the subsequent hosting contract involves management judgements. In making its judgement, management considered the detailed criteria for revenue recognition from the rendering of services set out on FRS102 section 23 Revenue. This includes consideration of whether goods or services delivered in advance or at inception of a related contract can be separately provided irrespective of the related hosting arrangement and / or whether the customer could separately purchase the element from another third party (for example where software could be purchased by the customer directly from the provider rather than through the Group as a reseller).

Development Costs

The company capitalises development costs where the directors are satisfied as to the technical, commercial and financial viability of individual projects. These assets are amortised over 3 years. The majority of development activity is performed in support of the company's systems and in the provision of new and innovative products for our customers. In making its judgement as to whether develop costs meet the capitalisation criteria, management considers the technical feasibility of completing the planned intangible asset and the likelihood the development will ultimately either enhance internal systems or support customer products and delivery. As part of this assessment, management determine whether the development will generate probable

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

future economic benefits and the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Key source of estimation uncertainty

The estimates and assumptions that may pose risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below.

Estimation of accruals

The accruals disclosed in note 16 include an estimate for the cost of third party goods and products used in the provision of services. Determining the appropriate accrual involves significant estimation and is based upon past experience and the customer usage information available to management. Whilst a range of outcomes is reasonably possible, due to the nature of the accrual, it is not possible to determine the full extent of this range. Consequently, the provision represents management's best estimate of payments due.

3. Turnover

All turnover arose in the United Kingdom and was related to the provision of managed hosting and cloud services.

An analysis of the Company's revenue by category is as follows:

	<i>Year ending Dec 22</i>	<i>Period ending Dec 21</i>
	<i>£</i>	<i>£</i>
Provision of services	102,237	40,895

Notes to the financial statements (continued)

For the year ended 31 December 2022

4. Operating profit

This is stated after charging:

	<i>Year ending</i> Dec 22	<i>Period</i> <i>ending</i> <i>Dec 21</i>
	£'000	£'000
Depreciation of owned tangible fixed assets	4,173	173
Amortisation of intangible fixed assets	2,977	1,134
Impairment	-	100
Difference on foreign currency	-	12
Operating lease rentals	240	135

5. Directors' remuneration

	<i>Year ending</i> Dec 22	<i>Period</i> <i>ending</i> <i>Dec 21</i>
	£'000	£'000
Emoluments	1,522	467
Company contributions to money purchase pension schemes	34	6
	1,556	473

Remuneration payable to the highest paid director was as follows:

	2022	2021
	£'000	£'000
Remuneration	372	169

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Staff costs

	<i>Year ending Dec 22</i>	<i>Period ending Dec 21</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	30,266	11,323
Social security costs	3,273	1,226
Pension costs	734	201
	34,273	12,750

The average number of employees (including executive directors) during the year was made up as follows:

	<i>Year ending Dec 22 No.</i>	<i>Period ending Dec 21 No.</i>
Office, management and selling	601	300

7. Interest receivable

	<i>Year ending Dec 22</i>	<i>Period ending Dec 21</i>
	<i>£'000</i>	<i>£'000</i>
Bank interest receivable	-	1
Interest receivable from employee loans	8	8
	8	9

8. Interest payable and similar expenses

	<i>Year ending 2022</i>	<i>Period ending 2021</i>
	<i>£</i>	<i>£</i>
Bank interest payable	91	-
Interest payable from group companies	895	-
	986	-

Notes to the financial statements (continued)

For the year ended 31 December 2022

9. Tax

Tax on profit

The tax charge is made up as follows:

	<i>Year ending</i> Dec 22	<i>Period</i> <i>ending</i> Dec 20
	£	£
<i>Current tax:</i>		
UK corporation tax on the profit for the year	968	648
Adjustment in respect of previous periods	584	(2)
Total current tax charge	1,552	646
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(54)	219
Adjustment in respect of previous periods	(100)	(33)
Effect of changes in tax rates	(17)	38
Total deferred tax	(171)	224
Total tax charge (note 9(b))	1,381	869

(a) Factors affecting tax charge for the year

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted 24 May 2022, and the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate.

Notes to the financial statements (continued)

For the year ended 31 December 2022

9. Tax (continued)

(b) Reconciliation of tax charge

The difference between the total tax charge shown above and the amount calculated by applying Standard rate of UK Corporation Tax to the profit before tax is as follows:

	<i>Year ending</i> 2022	<i>Period ending</i> 2021
	£	£
Profit	<u>9,770</u>	<u>5,972</u>
Profit multiplied by standard rate of corporation tax in the UK of 19%	1,856	1,135
<i>Effects of:</i>		
Income not taxable for tax purposes	(304)	(37)
Expenses not deductible for tax purposes	472	178
Adjustments to tax charge in respect of previous periods	603	(35)
Effects of group relief/other relief	(1,229)	(611)
Remeasurements of deferred tax for changes in tax rates	(17)	90
Fixed asset differences	-	148
Total tax charge for the year (note 9(a))	<u>1,381</u>	<u>868</u>

(c) Deferred tax asset:

	2022	2021
	£	£
At the beginning of the year	377	153
Charge for the year	(72)	224
Transfer of trade	(725)	-
At end of the year	<u>(420)</u>	<u>377</u>

The asset for deferred taxation is made up as follows:

	2022	2021
	£	£
Fixed asset timing differences	(323)	467
Losses	-	(44)
Short-term timing differences	(97)	(46)
	<u>(420)</u>	<u>377</u>

Notes to the financial statements (continued)

For the year ended 31 December 2022

The deferred tax asset is regarded as due in more than one year as it is not expected to reverse in the next 12 months.

10. Intangible fixed assets

	<i>Goodwill</i>	<i>Development costs</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:			
At 1 January 2022	11,058	3,432	14,490
Additions arising on acquisition	1,127	10,531	10,531
Additions	-	3,190	4,317
At 31 December 2022	<u>12,185</u>	<u>17,153</u>	<u>29,338</u>
Amortisation:			
At 1 January 2022	5,695	1,200	6,895
Charge arising on acquisition	-	7,940	7,940
Charge for the year	1,110	1,787	2,897
At 31 December 2022	<u>6,805</u>	<u>10,927</u>	<u>17,732</u>
Net book value:			
At 31 December 2022	<u>5,363</u>	<u>2,232</u>	<u>7,595</u>
At 31 December 2021	<u>5,380</u>	<u>6,228</u>	<u>11,606</u>

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Tangible fixed assets

	<i>Motor Vehicles</i>	<i>Fixtures and Fittings</i>	<i>Leasehold Property</i>	<i>Land and Buildings</i>	<i>Leases</i>	<i>Plant and Machinery</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:							
At 1 January 2022	22	5,245	492	-	-	-	5,759
Additions arising on acquisition	89	3,066	-	7,575	5,581	51,384	67,695
Additions	-	947	1	417	-	2,888	4,253
Disposals	(12)	(2,814)	(338)	-	-	-	(3,164)
At 31 December 2022	99	6,444	155	7,992	5,581	54,272	74,543
Depreciation:							
At 1 January 2022	22	4,937	453	-	-	-	5,412
Charge arising on acquisition	71	2,454	-	2,151	5,274	44,450	54,400
Charge for the year	18	506	6	306	248	4,569	5,653
Disposals	(12)	(2,814)	(338)	-	-	-	(3,164)
At 31 December 2022	99	5,083	121	2,457	5,522	49,019	62,301
Net book value:							
At 31 December 2022	-	1,361	34	5,535	59	5,253	12,242
At 31 December 2021	-	308	39	-	-	-	347

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Investments

	2022	2021
Subsidiary undertakings	-	-

During the year the company acquired the trade and assets of both of its previously non-dormant subsidiaries. As all of the company's subsidiaries as at 31st December 2021 have no net book value the investment value has been impaired to reflect this.

The Company has investments in the following subsidiary undertakings either directly or indirectly

Subsidiary	Registered office	Principal activity	Holding
Eison Ltd	1 Archway, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
Zero2ten EMAE Ltd	1 Archway, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
Conatus Ltd	1 Archway, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
Webantic Ltd	1 Archway, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
Webantic Ventures Ltd	1 Archway, Birley Fields, Manchester, M15 5QJ	Dormant company	100%

13. Debtors: amounts due within one year

	2022	2021
	£'000	£'000
Trade debtors	16,333	8,532
Amounts due from group undertakings	-	38,924
Amounts owed by directors	-	961
Prepayments and accrued income	5,608	8,039
Corporation tax	109	155
	22,051	56,612

Notes to the financial statements (continued)

For the year ended 31 December 2022

14. Debtors: amounts due after more than one year

	2022	2021
	£'000	£'000
Amounts due from group undertakings	75,496	-

15. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	6,459	4,086
Other taxation and social security costs	4,576	1,498
Accruals & deferred income	26,226	16,497
Other creditors	243	-
Amounts owed to parent undertakings	-	1,454
	37,504	23,535

16. Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Accruals & deferred income	-	1,375
Deferred tax	-	394
Amounts owed to parent undertakings	38,927	-
	38,927	1,769

Notes to the financial statements (continued)

For the year ended 31 December 2022

17. Called up share capital and reserves

	2022	2021
	<i>£'000</i>	<i>£'000</i>
Class		
A ordinary	99	99
B ordinary	70	70
C ordinary	29	29
Nominal value ordinary shares	198	198

18. Other financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	<i>Land and buildings</i>
	2022	2021
	<i>£'000</i>	<i>£'000</i>
Within one year	320	-
Between two and five years	1,280	-
More than five years	1,909	-
	3,509	-

19. Related party transactions

In accordance with Section 33 of FRS 102, the Company has not disclosed details of transactions with fellow wholly owned undertakings within the ANS Group Holdings Limited group of companies.

Notes to the financial statements (continued)

For the year ended 31 December 2022

20. Controlling party

The largest and smallest group in which the results of the Company are consolidated is that of ANS Group Holdings Limited.

Funds controlled by Inflexion Private Equity Limited are the ultimate controlling party.

The Company's immediate controlling party is ANS Leaders Limited, a company registered in England and Wales whose registered address is UKFast Campus, Birley Fields, Manchester, M15 5QJ.