VYSIION LIMITED

Annual Report and Financial Statements

For the year ended 31 January 2023

Company Registration Number 03208975

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Directors, Officers and Advisers

Directors:
Mr S Acott
Mr P Clapton
Mrs C A Griffin
Mr A G Morris
Mr L F Wade

Independent Auditor:
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Chartered Accountants & Senior Statutory Auditor
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Registered Office:
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Solicitors
DAC Beachcroft LLP
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EB4A 1BN

Company registration number:
03208975

Strategic Report

The directors are pleased to present the strategic report for the business, for the year ended 31st January 2023.

Business Review & FY 2022/23 Performance

The principal activities of the business continue to be the provision of IT & Network infrastructure, products, platforms, and support services, predominantly into the Critical National Infrastructure (CNI) verticals of Defence, Central Government, Blue Light, Utilities, and Renewables, along with a number of private sector clients.

The Board of Directors are pleased with Vysiion's continued growth and performance for the year ending FY 2022/23. Whilst the year has seen macroeconomic challenges which have impacted the industry and the business, Vysiion has navigated these well to achieve topline revenue growth and strong profitability, whilst continuing to invest in its people and capabilities.

Key Performance Indicators

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

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

	Year to 31 Jan 2023	Year to 31 Jan 2022
Sales - 1st year revenue[1]	£16,487,540	£15,024,522
Sales - Total Contract Value[2]	£22,383,703	£17,866,173
Revenue	£28,313,599	£26,385,506
Gross Profit	£15,968,723	£16,545,719
Gross Profit %[3]	56.4%	62.7%
Underlying EBITDA[4]	£6,863,326	£8,032,524
Profit Before Tax	£2,486,204	£3,892,101
Average Headcount[5]	155	152
Net Promoter Score (NPS)[6]	85	84

Definition of alternative performance measures:

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

[2] Sales - Total Contract Value is the total value of new contracts won

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

[4] Underlying EBITDA is earnings before interest, tax, depreciation & amortisation excluding non-recurring gains / (expenses) & other operating income

[5] Average Headcount is the average number of persons employed by the Company during the year (as disclosed in note 5)

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

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FY 2022/23 saw Vysiion continue its growth, as it expanded its delivery to key customers, renewed a number of major contracts, and added new engagements in its target markets.

Our sales teams secured new business wins totalling £22,383,703 of total contract value, representing an increase on the previous year of 25%. This sales performance was the driving force behind the year-on-year revenue growth of 7.3%.

Whilst sales and revenue growth were strong, an increasingly competitive marketplace, combined with the high inflationary environment in the UK economy, saw downward pressure on Gross Profit, with Gross Profit % falling from 62.7% in FY 2021/22, to 56.4% in FY 2022/23.

To assess EBITDA, we need to adjust the reported EBITDA numbers, to arrive at an Underlying EBITDA which reflects the underlying operating performance of the business. By simply adjusting for the non-recurring costs, detailed in note 4, and Other Operating Income, detailed in note 3, we can arrive at Underlying EBITDA. The table below sets out the bridge from reported EBITDA to underlying EBITDA:

	2023	**2022**
EBITDA	6,863,326	8,106,165
Non-recurring costs	-	57,878
Other Operating Income	-	15,763
Underlying EBITDA	6,863,326	8,032,524

As the business continued to invest in its people & capabilities, this translated into a year-on-year reduction in Underlying EBITDA and Profit Before Tax. However, whilst a reduction on FY 2021/22, profitability remained strong, with Underlying EBITDA of £6,863,326 and Profit Before Tax of £2,486,204.

As well as growing revenues, Vysiion was pleased to have grown its headcount in the year, with an average headcount in FY 2022/23 of 155, and to have created opportunities for both existing staff and new recruits, to develop their careers in the field of technology.

Our NPS score is very important to us, as we place great value on customer feedback. The average score was 85 during FY 2022/23 up from 84 in FY 2021/22; a great external validation of the importance and investment we make in placing the customer at the heart of everything we do. This is very positive and validates our strategy of delivering service excellence to our customers.

Future Developments

The business has demonstrated good progress against its goals, and will continue to build on it's expertise, strengths, and reputation, for the design, delivery and support, of high availability end-to-end platforms and hardened infrastructure, in support of critical applications and systems within the CNI sector.

Vysiion has leveraged this experience & pedigree to win new business in the Defence, Blue Light, Public Sector, Utility, and Renewable market verticals, and aligned its offerings, processes, and inhouse skills, to meet the demands of a ramped spend and investment in digital, often mission critical, technology platforms.

Vysiion continues to benefit from the Exponential-e Group's 5.0 strategy, a 4-year transition programme, which sets out the roadmap for the introduction of an innovative next generation product and services portfolio, capable of supporting a stepped increase in revenue growth, efficiency, and a competitive edge.

These products and services, coupled with established pathways into the CNI market verticals Vysiion operates in, positions the business to take full advantage of the emerging digital transformation project opportunities key to Government and Industries investment in a connected, more efficient, high availability, and cyber secure infrastructure for the future.

The market drivers behind increased investment within the CNI sector, and supporting the Vysiion strategy, are evidenced in the need for regulatory compliance against standards such as the NIS2 cyber directive, the transformation of the UK energy infrastructure detailed in the HM Powering up Britain report, and the ongoing delivery of the objectives set out in the UK Digital Strategy for Defence.

Vysiion have successfully built an "edge to core" proposition that aligns with these demands, considers both the upgrade of legacy systems, and the support of high value investment in new infrastructure projects and assets, where technology is seen as intrinsic to generating shareholder value, and ROI.

Principal risks and uncertainties

Over the FY 2022/23 period, the UK economic performance continues to be weak, with GDP growing at around 0.4%. On top of this weak growth, we have had to operate in an environment of high inflationary pressure, coupled with rising interest rates.

i. Macro-economic

In the past year, we have seen the war in Ukraine continue to destabilise the global geo-political environment and contribute to rising inflationary pressures. The CPI index has increased from 6.2% to 10.1% over the course of the financial year. This has led our suppliers to levy price increases upon us. For some of these costs we have managed to pass them onto our customers, but in other circumstances we have had to absorb these costs ourselves, and this has in part contributed to our declining gross profit margins.

ii. Technology sector specific

The directors have experience operating in the fast-moving technology sector, where the pace of product and service obsolescence is high. To mitigate this risk, the management team continually review the market drivers that justify investment, assessing the size of current and emerging opportunities, to ensure they have the skills, products, and services, to meet demand.

This analysis considers three topical challenges faced by all private and public sector organisations, efficiency, sustainability, and regulatory, and how technology will help solve them. By understanding what is driving and justifying investment decisions, Vysiion can continually adapt and refine their propositions.

Smart and IoT technology, two topical subjects, cut across the core market verticals that Vysiion focus on. They have huge potential and create an increased need for connectivity, security of edge devices, and the ongoing demand for Software Defined Networking, Cloud Compute, Data Centre, and Support Services.

Cyber-security is an ever-present, and growing risk in all industries. Vysiion's pedigree has been built upon a backbone of Cyber excellence, delivering key services into highly secure and sensitive environments and industries, and the business continues to remain vigilant of any cyber-security developments, and monitors and tests its own internal cybersecurity environment and processes, supported by its parent company's Cyber Security Operations Centre (CSOC).

iii. Staff Recruitment risks

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

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Part of this has been entering into harmonisation programmes to ensure Vysiion staff benefits are aligned with those of its parent company, Exponential-e. During this time, the business has focused on wellbeing initiatives and aligned closely with our Employee Assistance Programme.

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

iv. Financial

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

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

Price Risk

The directors manage risk on hardware sales by ensuring back to back quotation validity with our customers.

For service contracts, the price risk is managed by matching the prices of inputs to sales contracts where this is possible through the supply contracts.

Currency Risk

The Company continues to have limited exposure to foreign exchange risk, with a small number of USD creditor transactions up to $0.25m per annum and EURO creditor transactions up to €0.36m.

Cash Flow interest rate Risk

The Company finances its operations through a mixture of profits and bank financing. The bank finance is provided through an overdraft whereby the interest is fixed in advance of any usage.

Liquidity Risk

The Company seeks to manage financial risk by regularly planning and monitoring payment obligations, to ensure sufficient liquidity is available to meet foreseeable needs. Short term flexibility is achieved by an overdraft facility of £0.75m and Parent Company borrowing.

Credit Risk

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

Trade debtors are carefully managed by policies that govern the credit limits that are offered to customers and regular monitoring of the amounts due. As the company continues to grow, the distribution across customers continues to widen.

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

peter clapton

Mr P Clapton
Director
Date: 26/05/2023

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Directors' Report

The directors present their annual report and financial statements for the year ended 31 January 2023.

Directors

The directors who served during the period and up to the date of signature of the financial statements were as follows:

Mr S Acott
Mr P Clapton
Mrs C A Griffin
Mr A G Morris
Mr L F Wade

Items covered in the Strategic Report

The business review includes a summary of recent financial performance, principal business activities and future developments on pages 4-6 and financial risk management disclosures are included within the Strategic Report on page 7.

Going Concern

In considering the going concern assumption, the directors have reached their conclusion based on future trading forecasts as well as the balance sheet position at the date of signature of these financial statements. The financial statements report a net asset position of £4,362,766 (31 January 2022: £2,308,889).
The 2023-24 forecast is for continued growth, supported by an expanding and maturing sales function & capability, which brings a strong pipeline of new contracts to the business.

Vysiion predominantly serves 'Critical National Infrastructure' clients, including a number of public sector departments, where continued investment is required and supported by Government spending. The business is therefore relatively insulated against volatility in investment appetite in the private sector economy.

Despite seeing a trend away from multi-year managed services engagements and towards discrete project deliveries, the business has a strong track-record of new contract wins, with a good pipeline of new opportunities, and is therefore confident that it will continue to win new business.

Whilst inflationary pressures are impacting all areas of the economy, and particularly the cost of IT & Network hardware and power costs in Datacentres, Vysiion has a number of contracts that allow inflation-linked price increases to be passed through to customers, therefore providing protection to the Company's margin profile. Inputs into new contract bids are also refreshed regularly to ensure inflationary impacts are captured.

In spite of the risks above, Vysiion is comfortable that it has adequate facilities in place to meet its financial obligations as and when they fall due, with a cash balance of £3.8m as of 31 January 2023, no debt obligations, a £750k overdraft, and the support of its parent company Exponential-e Ltd. The Exponential-e Group has confirmed its intention to provide support to Vysiion should it be required in the going concern period.

A sensitivity analysis and stress test has been performed by Vysiion's parent company, Exponential-e, for both the Group and each individual entity, which assesses a range of outcomes of financial performance and cashflow for the 12 months following the date of signature of these financial statements.

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

To the best of our knowledge:

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

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Directors' Indemnities

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Post balance sheet events

There have been no significant events affecting the company since the report date.

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

peter clapton

Mr P Clapton
Director
Date: 26/05/2023

Company registration number: 03208975

Independent auditor's report to the members of Vysiion Limited

Opinion

We have audited the financial statements of Vysiion Limited (the 'company') for the 31 January 2023, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 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 company to cease to continue as a going concern.

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

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

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.

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 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 obtained an understanding of the legal and regulatory frameworks applicable to the Company and sector in which they operate. We determined that the following laws and regulations were most significant: Financial Reporting Standard 101 'Reduced Disclosure Framework in conformity with the requirements of the Companies Act 2006, and UK taxation laws.
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of the finance team, including those responsible for compliance procedures, Human Resources and management. We corroborated our inquiries through our review of board minutes, walkthroughs performed with management and other supporting documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
    - obtaining an understanding of the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
    - challenging assumptions and judgments made by management in its significant accounting estimates;
    - identifying and testing journal entries with our data interrogation software where each risk category was scoped with journals of large value, journals posted on or after 31st January 2023, journals with a blank description and journals by senior financial reporting personnel and material journals posted to cash being the key considerations;
    - testing the completeness of the company's related party transactions and testing that these transactions had a valid business purpose;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
    - held discussions with those outside the finance team including the entity's in-house legal representatives.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the industry in which the client operates
    - understanding of the legal and regulatory requirements specific to the entity including:
        - the provisions of the applicable legislation

- the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
- the applicable statutory provisions.

- We enquired of management and the board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. None were noted.

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

Paul Naylor

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 26/05/2023

Statement of Comprehensive Income

	Notes	2023 £	2022 £
Revenue	2	28,313,599	26,385,506
Cost of sales		(12,344,876)	(9,839,787)
Gross profit		**15,968,723**	**16,545,719**
Other administrative expenses		(13,334,343)	(12,574,268)
Non-recurring gains / (expenses)	4	-	57,878
Total administrative expenses		(13,334,343)	(12,516,390)
Other operating income	3	-	15,763
EBITDA		6,863,326	8,106,165
Depreciation and amortisation		(4,228,946)	(4,061,073)
Operating profit	4	**2,634,380**	**4,045,092**
Interest income	6	-	14
Interest payable and similar charges	6	(148,176)	(153,005)
Profit / (loss) before tax		**2,486,204**	**3,892,101**
Taxation	7	(432,327)	(666,784)
Profit / (loss) for the financial year		**2,053,877**	**3,225,317**

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

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Statement of Financial Position

	Notes	At 31 January 2023 £	At 31 January 2022 £
Assets			
Non-current assets			
Goodwill	8	1,152,930	1,152,930
Intangible assets	9	7,555	491,882
Property, plant and equipment	10	1,032,199	1,919,623
Right of use assets	11	4,570,241	5,586,941
Deferred tax asset	7	257,437	314,565
		7,020,362	9,465,941
Current assets			
Inventories	12	248,429	676,135
Trade and other receivables	13	5,200,177	4,859,875
Cash and cash equivalents	14	3,784,248	3,273,894
		9,232,854	8,809,904
Current liabilities			
Trade and other payables	15	4,425,067	6,096,260
Lease liabilities	18	1,599,524	1,594,325
Current tax payable		-	130,118
Deferred income	16	1,791,403	2,810,822
		7,815,994	10,631,525
Non-current liabilities			
Provisions	17	49,957	25,743
Lease liabilities	18	3,087,736	4,087,572
Deferred income	16	936,763	1,222,116
		4,074,456	5,335,431
Net assets / (liabilities)		**4,362,766**	**2,308,889**
Equity			
Share capital	20	322,593	322,593
Share premium		986,731	986,731
Capital redemption reserve		57,681	57,681
Retained earnings / (losses)		2,995,761	941,884
Shareholders' funds / (deficit)		**4,362,766**	**2,308,889**

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

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

Andrew Morris

Mr A G Morris
Director
Date 26/05/2023

Vysiion Limited

Statement of Changes in Equity

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Retained earnings / (losses)	Total equity
	£	£	£	£	£	£
At 1 February 2021	322,593	986,731	-	57,681	(2,283,433)	(916,428)
Comprehensive income for the year						
Profit/(loss) for the year	-	-	-	-	3,225,317	3,225,317
At 31 January 2022	**322,593**	**986,731**	**-**	**57,681**	**941,884**	**2,308,889**
Comprehensive income for the year						
Profit/(loss) for the year	-	-	-	-	2,053,877	2,053,877
At 31 January 2023	**322,593**	**986,731**	**-**	**57,681**	**2,995,761**	**4,362,766**

Notes to the financial statements

1. Principal Accounting Policies

1.1 Company information

Vysiion Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at 100 Leman Street, London, E1 8EU.

1.2 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention except for, where disclosed in the accounting policies, certain items which are carried at fair value.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

For the year ended 31 January 2023, The Company's financials have been included in the Group consolidation of Exponential-e Limited. The consolidated financial statements of Exponential-e Limited are prepared in accordance with IFRS and are available to the public and may be obtained from Companies House.

There were no material departures from the standards.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 16, 38A, 38B and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

The principal accounting policies set out below have been consistently applied to all periods presented.

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

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The preparation of these financial statements requires management to make certain estimates and assumptions. Critical estimates and judgements are detailed in note 1.18 of these accounting policies.

The financial statements present the results of the Company for the 12 month periods ended 31 January 2022 and 31 January 2023.

1.3 Going Concern

In considering the going concern assumption, the directors have reached their conclusion based on future trading forecasts as well as the balance sheet position at the date of signature of these financial statements. The financial statements report a net asset position of £4,362,766 (31 January 2022: £2,308,889).
The 2023-24 forecast is for continued growth, supported by an expanding and maturing sales function & capability, which brings a strong pipeline of new contracts to the business.

Vysiion predominantly serves 'Critical National Infrastructure' clients, including a number of public sector departments, where continued investment is required and supported by Government spending. The business is therefore relatively insulated against volatility in investment appetite in the private sector economy.

Despite seeing a trend away from multi-year managed services engagements and towards discrete project deliveries, the business has a strong track-record of new contract wins, with a good pipeline of new opportunities, and is therefore confident that it will continue to win new business.

Whilst inflationary pressures are impacting all areas of the economy, and particularly the cost of IT & Network hardware and power costs in Datacentres, Vysiion has a number of contracts that allow inflation-linked price increases to be passed through to customers, therefore providing protection to the Company's margin profile. Inputs into new contract bids are also refreshed regularly to ensure inflationary impacts are captured.

In spite of the risks above, Vysiion is comfortable that it has adequate facilities in place to meet its financial obligations as and when they fall due, with a cash balance of £3.8m as of 31 January 2023, no debt obligations, a £750k overdraft, and the support of its parent company Exponential-e Ltd. The Exponential-e Group has confirmed its intention to provide support to Vysiion should it be required in the going concern period.

A sensitivity analysis and stress test has been performed by Vysiion's parent company, Exponential-e, for both the Group and each individual entity, which assesses a range of outcomes of financial performance and cashflow for the 12 months following the date of signature of these financial statements.

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

1.4 Revenue Recognition

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

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

- Identify the contract with the customer
- Identify the distinct performance obligations in the contract
- Determine the transaction price

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

Managed Services
The majority of the Company's revenue is comprised of multi-period contracts for managed services. The Company provides customers with a variety of IT managed services, including network connectivity & monitoring services, provision of Cloud computing & Colocation, Cyber Security, and Helpdesk & Support services.

The Company enters into customer contracts to provide single or multiple service types, which are typically setup and commence at different points. Where contracts contain multiple service types, the Company considers each individual service to be a distinct performance obligation, which begins to be satisfied when the individual service goes live. This is on the basis the customer is able to benefit and use each service provided independently of the other services which have been promised in the contract.

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

For such managed service contracts, the price allocated to each service line is based on its standalone selling price. Revenue is recognised on a straight-line basis over the contracted service period, as the customer benefits and consumes the service evenly over that time, and elements such as support are always available and utilised evenly over the contract term. Where facts and circumstances indicate that a price concession may be offered to a customer relating to a specific service, the price of that service is considered to be variable, and the value is estimated as being the amount of consideration to which the Company is likely to be entitled in exchange for the delivery of the service.

In its provision of managed services, the Company typically deploys hardware to either customer sites or its own sites, which is configured for use in providing the managed service. Where such hardware is resold to the customer, and control passes to the customer, the sale of hardware is a distinct performance obligation and revenue is recognised as described in the 'Product Sales' section below.

In many cases, control of such hardware remains with the Company, and the Company may retrieve hardware at the end of a service contract and redeploy the hardware on subsequent contracts. The Company has made a judgement that the hardware it deploys is an integral part of the service delivery to the customer, and the deployment of such hardware is not considered to be a separate lease arrangement with the customer.

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

Typically, installation activities are billed upon delivery of pre-agreed milestones, and ongoing managed service provision is billed monthly or quarterly in advance. Payment is generally due 30 days after invoice date. Where amounts billed to customers are in advance, a deferred income is recognised and released when the revenue is recognised. Where amounts billed to customers are in arrears, a contract asset is recognised and released when the revenue is billed.

Due to the homogenous nature of its lower-value managed service contracts, the Company has elected to apply the practical expedient in IFRS 15.4, and apply the Standard to a portfolio of contracts. To minimise the possibility of misstatement, the Company separately analyses a number of "bespoke" contracts deemed to be of a significant value or complexity and therefore having sufficiently different characteristics to be considered not part of the portfolio. For the remaining portfolio, whilst individual services within each contract may be installed and commence at different times, the Company uses an estimate of the commencement date for all services within the Portfolio, based on historic delivery data, in order to determine the date at which revenue recognition should begin. For further information regarding critical judgements in the consideration of performance obligations, identification of "bespoke" contracts, and the estimate of commencement date, see note 1.18.

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

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

In cases where Project work is delivered, an assessment is made as to whether the goods and services provided are highly inter-related or interdependent, whereby the customer is contracting with Vysiion for a combined output, or whether the customer is purchasing various distinct goods and services. In the case where the deliverable is assessed to be a combined output, there is a single performance obligation to deliver the combined output. In cases where the customer is assessed to be purchasing various distinct goods and services, each good and service represents an individual performance obligation.

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

Professional Services and Project work are billed either in advance of the work being performed, or in arrears following completion of the project or pre-agreed delivery milestones. When revenue is billed in advance of the work being completed, a contract liability is recognised and released when the revenue is recognised. When revenue is billed in arrears, a contract asset is recognised and released when the revenue is billed. If revenue is billed following completion of a performance obligation, an unbilled receivable is recognised and released when the revenue is billed. Payment is generally due 30-60 days after invoice date.

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

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

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

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

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

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

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

1.7 Leases
The Company makes use of leasing arrangements for a variety of right-of-use assets, including Customer infrastructure and equipment, Datacentre rackspace, Office Buildings and Motor Vehicles, where the Company has a right to control the use of such identified assets for a period of time in exchange for consideration.

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

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

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

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

For Customer infrastructure and equipment, the Company typically enters into contracts with a rolling arrangement which allows ongoing use of a right-of-use asset beyond the initial contracted term. Due to the fact that Customer infrastructure and equipment is often utilised to deliver multiple services to multiple customers, and the Company has reasonable certainty that it will not exercise an option to terminate such leases at the end of the initial term, the Company estimates the lease term used for calculating the future payments of such leases.

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

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

The lease liability is reassessed when there is a change in the lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Company's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. When there is a change in lease payments arising from a change in an index or rate used to determine those payments, the lease liability is reassessed and the revised lease payments are discounted using an unchanged incremental borrowing rate.

The Company has elected to apply the exemption available in IFRS 16 relating to leases of low-value assets on a lease-by-lease basis, and short-term leases for all classes of asset except Customer Infrastructure & Equipment and Motor Vehicles. This means that leases that meet these conditions would not give rise to lease liabilities or right of use assets and payments relating to these arrangements are recognised as expenses as they are incurred.

Interest rate for calculation of lease liabilities

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

The incremental borrowing rate has been estimated based on the cost to the Company of existing & proposed borrowings, available at the time the lease is entered into, adjusted to take into account the predicted cost of increasing the capital borrowed.

1.8 Pensions
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense in the Statement of Comprehensive Income when employees have rendered service entitling them to the contributions. Amounts not paid are shown as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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

1.9(b) Deferred taxation
Deferred taxation is calculated based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

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

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

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

In accordance with IFRS 3, goodwill is not amortised. In order to comply with IFRS 3, management are required to apply a true and fair override to paragraph 22 of schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

1.11 Intangible assets
Intangible assets are capitalised at cost.

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. The estimated useful lives range as follows:

Software development & licencing – 3 years
Support and maintenance agreements – straight line over the term of the associated customer contract

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

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

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

Leasehold improvements - Straight line over life of the lease
Customer infrastructure and equipment – 4-8 years
Office equipment – 3-7 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

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

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

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

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

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

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

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

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

1.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

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

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

1.16 Financial instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Impairment of Financial Assets

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

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

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

Trade receivables
The Company's trade receivables, which are measured at amortised cost, are grouped based on the ageing of the receivable and assessed for impairment based on the historical experience of recovery of aged balances for each ageing group to predict lifetime ECL, applying the simplified approach set out in IFRS 9. The segmentation used is reviewed periodically to ensure it is still appropriate. The percentage loss expectation to be applied to each ageing group is revisited annually.

Classification and measurement of financial liabilities
The Company's financial liabilities include borrowings and trade and other payables.

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

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

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

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

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

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

1.17 Equity
Equity comprises the following:
- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Retained earnings / losses" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital redemption reserve" represents shares repurchased by the Company.

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

Under IFRS estimate or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period.

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Critical Accounting Judgements

Revenue recognition

Identification of performance obligations

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

Identification of Bespoke Contracts vs Portfolio Contracts

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

Management have had to make a critical judgement over which contracts fall within the portfolio of 'standard' contracts and which have sufficiently different characteristics to be considered not part of this portfolio and requiring separate assessment. To make this assessment, Management assess the total contract value, the transaction price allocated to the installation activities, and the number of services promised within a contract.

Where bespoke contracts have been identified from applying the judgements above, these contracts are reviewed on an individual contract basis, to determine the performance obligations, allocate the installation revenue to the relevant services and recognise revenue as each performance obligation has been satisfied.

Critical Accounting Estimates

Estimate of commencement dates of services for portfolio contracts

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

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

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

Management have used this approach for the portfolio contracts as it would be impracticable to determine and apply the exact service commencement date of each service and allocate a specific element of the upfront fees to each individual performance obligation. For the majority of portfolio contracts, the managed services will be live and being used by the customer by the end of the average implementation period. While individual services will go live at different dates, the timing difference has been determined not to have a material impact on revenue. As explained above, a more detailed approach is taken for bespoke contracts where the setup and range of services provided mean the setup time is over a longer period of time. The Company reviews the weighted average on an annual basis at each end of financial year period.

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Notes to the financial statements

2. Revenue

Revenue arose as follows:

	2023 £	2022 £
UK	28,263,574	26,222,260
Rest of the world	50,025	163,246
	28,313,599	**26,385,506**

Revenue from customers is disaggregated between contract types as follows:

	2023 £	2022 £
Point in time:		
Product sales	4,965,279	4,746,011
Over time – provision of services:		
Installation and project activities	4,311,329	3,355,630
Managed service arrangements	19,036,991	18,283,865
	28,313,599	**26,385,506**

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

3. Other operating income

	2023 £	2022 £
R&D Tax credit	-	15,763
	-	**15,763**

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4. Operating Profit

	2023	2022
	£	£
Operating Profit is stated after charging / (crediting):		
Cost of sales:		
Cost of stock & services recognised as an expense	8,776,567	6,841,802
Variable lease payments	985,924	472,320
Right of use depreciation	392,630	329,994
Owned assets depreciation	1,182,621	1,184,368
Amortisation	1,007,134	1,011,303
Administrative expenses:		
Right of use assets depreciation	1,334,792	1,285,415
Owned assets depreciation	305,855	237,598
Amortisation	7,979	12,528
(Profit)/loss on disposal of right of use assets	(648)	-
(Profit)/loss on disposal of owned assets	(1,417)	(133)
Employment costs	8,779,160	8,024,211
Other administrative expenses	2,855,439	2,973,706
Foreign exchange (gains) / losses	(6,817)	(1,287)
Auditors' remuneration:		
- Audit of the Company	60,000	42,230

Non-recurring gains / (expenses) arose as follows:

	2023	2022
	£	£
Provision for Onerous Contract	-	57,878
	-	**57,878**

The non-recurring gains / (expenses) consist of the following:

- Provision for Onerous Contract relates to the release of surplus provision relating to the cost of outsourced service delivery for a loss-making customer contract

5. Directors and employees

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

	2023	2022
	£	£
Wages and salaries	7,645,383	7,009,766
Social security	838,853	743,105
Cost of defined contribution scheme	294,924	271,340
	8,779,160	**8,024,211**

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

	2023	2022
	£	£
Sales & sales administration	15	13
Service delivery & engineering	121	124
Management & administration	19	15
	155	**152**

	2023	2022
	£	£
Remuneration of Directors		
Emoluments and fees for qualifying services	307,586	254,504
Services remunerated through parent	340,195	450,453
Contributions to defined contribution scheme	25,680	26,991
	673,461	**731,948**

Key management personnel are identified as the Company's Board of Directors.

During the year retirement benefits were accruing to 2 Directors (2022: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £187,187 (2022: £149,749) and the company paid pension contributions on his behalf of £21,089 (2022: £26,991).

6. Finance income and expense

Finance income

	2023	2022
	£	£
Interest received on deposits	-	14
	-	**14**

Finance expense

	2023 £	2022 £
Other interest on financial liabilities	-	1,774
Interest expense on lease liabilities	148,176	151,231
	148,176	**153,005**

7. Taxation

	2023 £	2022 £
Current tax:		
UK corporation tax based on the results for the year	-	140,569
UK corporation tax – prior year adjustments	(201,253)	(16,530)
Group relief payable / (receivable)	576,452	142,624
	375,199	**266,663**
Deferred tax:		
Origination and reversal of temporary differences	(103,932)	614,202
Adjustments in respect of prior periods	193,882	11,609
Deferred tax – effect of increased/decreased tax rate on opening balance	(32,822)	(225,690)
	57,128	**400,121**
Total tax expenses / (credit)	**432,237**	**666,784**

Factors affecting the actual tax charge for the year and the standard rate of corporation tax applied to profits for the year are as follows:

	2023 £	2022 £
Profit / (loss) before tax	**2,486,204**	**3,892,101**
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (all periods)	472,379	739,499
Effects of:		
Expenses not deductible for tax purposes	1,832	3,489
Fixed asset differences	(1,695)	7,210
Adjustments to tax charge in respect of prior periods	(201,253)	(16,530)
Adjustments to tax charge in respect of prior periods – deferred tax	193,882	11,609
Effect of change in tax rates	(32,818)	(78,493)
Total tax expense / (credit)	**432,327**	**666,784**

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

Deferred tax asset

	Advanced capital allowances	Intangible assets	Other temporary differences	Leases	Tax Losses	Total
	£	£	£	£	£	£
At 31 January 2021	23,341	(14,222)	613,137	17,924	74,506	714,686
Credit / (charge) to the income statement	197,952	12,670	(821,967)	(9,154)	(5,312)	(625,811)
Deferred tax – change in tax rate	7,371	(4,491)	193,622	5,660	23,528	225,690
At 31 January 2022	**228,664**	**(6,043)**	**(15,208)**	**14,430**	**92,722**	**314,565**
Credit / (charge) to the income statement	(50,754)	6,043	(3,258)	(9,155)	(4)	(57,128)
At 31 January 2023	**177,910**	**-**	**(18,466)**	**5,275**	**92,718**	**257,437**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset) for financial reporting purposes:

Deferred tax asset	**At January 2023**	**At January 2022**
	£	£
Deferred tax asset	257,437	314,565
Deferred tax liability	-	-
Net deferred tax	**257,437**	**314,565**

The company does not have any unrecognized deferred tax assets or liabilities.

8. Goodwill

	Total
	£
Cost	
At 1 February 2021	1,152,930
Impairment of goodwill	-
At 31 January 2022	1,152,930
At 31 January 2023	1,152,930

The Goodwill intangible asset as at 1 February 2021 relates to the acquisition of IT Solutions 4 Business Limited.

Allocation of goodwill to cash generating units

For the purpose of annual impairment testing, goodwill is allocated to specific product streams measured and reported at a management accounts level, as this is the lowest level where relevant cash flows can be identified.

Vysiion has calculated the historic actuals and future forecasts relating to the area of the business & product streams contributed by the acquisitions, being the Managed Service and Datacentre capability of Vysiion.

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

Other major assumptions are as follows:

Impairment review date	**At 31 January 2023 %**	**At 31 January 2022 %**
Discount rate	15.5	15.2
Annual growth assumptions used to extrapolate 1 year budget forecast:		
- 2 – 5 years	2.0	2.0 – 12.0
- Beyond 5 years	2.0	2.0

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

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

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

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

9. Intangible assets

	Software development & licensing £	Support and maintenance agreements £	Total £
Cost			
At 1 February 2021	80,574	1,165,131	1,245,705
Additions	4,475	1,201,044	1,205,519
At 31 January 2022	85,049	2,366,175	2,451,224
Additions	6,054	524,732	530,786
At 31 January 2023	91,103	2,890,907	2,982,010
Amortisation			
At 1 February 2021	63,041	872,470	935,511
Charge for the year	12,528	1,011,303	1,023,831
At 31 January 2022	75,569	1,883,773	1,959,342
Charge for the year	7,979	1,007,134	1,015,113
At 31 January 2023	83,548	2,890,907	2,974,455
Net book value			
At 1 February 2021	**17,533**	**292,661**	**310,194**
At 31 January 2022	**9,480**	**482,402**	**491,882**
At 31 January 2023	**7,555**	**-**	**7,555**

Amortisation is recognised within cost of sales in the income statement where the intangible assets are used in the delivery of revenue contracts, and otherwise is recognised within administrative expenses in the income statement.

10. Property, plant and equipment

	Leasehold property improvements	Customer Infrastructure & Equipment	Office equipment	Total
	£	£	£	£
Cost				
At 1 February 2021	289,234	2,197,084	769,529	3,255,847
Additions	43,817	1,021,932	242,804	1,308,553
At 31 January 2022	333,051	3,219,016	1,012,333	4,564,400
Additions	155,398	309,290	136.363	601,051
At 31 January 2023	488,449	3,528,306	1,148,696	5,165,451
Depreciation				
At 1 February 2021	111,026	596,044	515,742	1,222,812
Charge for the year	95,917	1,184,368	141,680	1,421,965
At 31 January 2022	206,943	1,780,412	657,422	2,644,777
Charge for the year	120,448	1,182,621	185,406	1,488,475
At 31 January 2023	327,391	2,963,033	842,828	4,133,252
Net book value				
At 1 February 2021	**178,208**	**1,601,040**	**253,787**	**2,033,035**
At 31 January 2022	**126,108**	**1,438,604**	**354,911**	**1,919,623**
At 31 January 2023	**161,058**	**565,273**	**305,868**	**1,032,199**

Depreciation is recognised within cost of sales in the income statement where the assets are used in the delivery of revenue contracts, and otherwise is recognised within administrative expenses in the income statement.

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

11. Right of use assets

	Right of use lease assets (Offices) £	Right of use lease assets (Customer infrastructure & equipment) £	Right of use lease assets (Datacentres) £	Right of use lease assets (Motor vehicles) £	Total £
Cost					
At 1 February 2021	881,360	1,021,840	3,174,983	198,130	5,276,313
Additions	-	386,084	3,005,883	113,068	3,505,035
Disposals	-	-	-	-	-
At 31 January 2022	881,360	1,407,924	6,180,866	311,198	8,781,348
Additions	13,938	247,637	86,917	133,849	482,341
Modifications	-	16,764	219,374	-	236,138
Remeasurements		13,052	5,598	-	18,650
Disposals	-	-	-	(64,225)	(64,225)
At 31 January 2023	895,298	1,685,377	6,492,755	380,822	9,454,252
Depreciation					
At 1 February 2021	106,041	324,488	1,070,493	77,976	1,578,998
Charge for the year	106,041	329,994	1,078,631	100,743	1,615,409
Disposals	-	-	-	-	-
At 31 January 2022	212,082	654,482	2,149,124	178,719	3,194,407
Charge for the year	108,202	392,630	1,116,219	110,373	1,727,424
Disposals	-	-	-	(37,820)	(37,820)
At 31 January 2023	320,284	1,047,112	3,265,343	251,272	4,884,011
Net book value					
At 1 February 2021	**775,319**	**697,352**	**2,104,490**	**120,154**	**3,697,315**
At 31 January 2022	**669,278**	**753,442**	**4,031,742**	**132,479**	**5,586,941**
At 31 January 2023	**575,014**	**638,265**	**3,227,412**	**129,550**	**4,570,241**

Right of use assets as disclosed in the table above arise from lease agreements, as disclosed in note 18. These right of use assets are pledged as security for the corresponding lease liabilities.

12. Inventories

	At 31 January 2023 £	At 31 January 2022 £
Finished goods & goods for resale	2,859	22,966
Work in progress	245,570	653,169
	248,429	**676,135**

13. Trade and other receivables

	At 31 January 2023 £	At 31 January 2022 £
Trade and other receivables		
Trade receivables, gross	2,432,253	2,564,946
Allowance for credit losses	(12,348)	(5,744)
Trade receivables, net	2,419,905	2,559,202
Accrued Revenue	1,765,139	1,369,932
Intercompany receivables	3,882	115,346
Other receivables	82,289	74,025
Prepayments	928,962	741,370
	5,200,177	**4,859,875**

14. Cash and cash equivalents

	At 31 January 2023 £	At 31 January 2022 £
Cash at bank	**3,784,248**	**3,273,894**

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

15. Trade and other payables

	At 31 January 2023 £	At 31 January 2022 £
Current		
Trade payables	1,360,241	2,629,277
Other tax and social security	374,883	495,633
Other payables	140,892	74,836
Intercompany payables	737,497	994,315
Accruals	1,811,554	1,902,199
	4,425,067	**6,096,260**

16. Deferred Income

	At 31 January 2023 £	At 31 January 2022 £
Deferred income:		
To be recognised within 12 months	1,791,403	2,810,822
To be recognised after 12 months	936,763	1,222,116
	2,728,166	**4,032,938**

17. Provisions

At 31 January 2022	Renewal provision £	Onerous contract provision £	Total £
Current			
Balance at 1 February 2021	203,899	502,500	706,399
Utilised during the year	(178,156)	(417,123)	(595,279)
Increase/(Release) during the year	-	(85,377)	(85,377)
At 31 January 2022	**25,743**	-	**25,743**

At 31 January 2023	Renewal provision £	Onerous contract provision £	Total £
Current			
Balance at 1 February 2022	25,743	-	25,743
Utilised during the year	(1,950)	-	(1,950)
Increase/(Release) during the year	26,164	-	26,164
At 31 January 2023	**49,957**	-	**49,957**

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

18. Leases

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

	At 31 January 2023 £	At 31 January 2022 £
Additions to right of use assets	482,341	3,505,035
Modifications to right of use assets	236,138	-
Remeasurements of right of use assets	18,650	-
Disposals from right of use assets	(26,405)	-
Depreciation charge – right of use assets	(1,727,424)	(1,615,409)
Carrying amount at the beginning of the year – right of use assets:	5,586,941	3,697,315
Carrying amount at the end of the year - right of use assets:	**4,570,241**	**5,586,941**

Depreciation charge for right of use assets by class can be found in Note 11.

	At 31 January 2023 £	At 31 January 2022 £
Interest expense on lease liabilities	148,176	151,231
Total cash outflow for leases	1,852,889	1,694,730

Lease liabilities	At 31 January 2023 £	At 31 January 2022 £
Current	1,599,524	1,594,325
Non-current	3,087,736	4,087,572
	4,687,260	**5,681,897**

Lease payments not recognised as a liability

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

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

	2023	2022
	£	£
Short-term leases	14,863	8,631
Leases of low-value assets	4,930	4,445
	19,793	**13,076**

19. Borrowings

Reconciliation of liabilities arising from financing activities

	Lease Liabilities
	£
At 1 Feb 2021	3,720,361
New Leases	3,505,035
Lease Modifications	-
Lease Remeasurements	-
Interest Accrued	151,231
Interest Paid	(151,231)
Disposed Lease	-
Repaid in Cash	(1,543,499)
At 31 Jan 2022	**5,681,897**
New Leases	482,341
Lease Modifications	236,138
Lease Remeasurements	18,650
Interest Accrued	148,176
Interest Paid	(148,176)
Disposed Lease	(27,053)
Repaid in Cash	(1,704,713)
At 31 Jan 2023	**4,687,260**

20. Share capital

	At 31 January 2023 Number	At 31 January 2022 Number
Allotted, called up and fully paid		
Ordinary shares of £1	322,593	322,593
Total share capital	**322,593**	**322,593**

	At 31 January 2023 £	At 31 January 2022 £
Allotted, called up and fully paid		
Ordinary shares of £1	322,593	322,593
Total share capital	**322,593**	**322,593**

The following shares were issued in the periods presented:

Year ended 31 January 2023
No shares were issued during the year.

Year ended 31 January 2022
No shares were issued during the year.

21. Related party transactions and Ultimate controlling party

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

The company has applied the exemption in section 8(k) of FRS 101, not to disclose related party transactions between two or more members of a group, where the subsidiary which is a party to the transaction is a wholly owned subsidiary.

There are no other related party transactions to be disclosed.

The immediate and ultimate parent company and controlling party is Exponential-e Ltd, a company registered in England and Wales. Registered office address is 100 Leman Street, London, E1 8EU.

22. Financial commitments

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

23. Post balance sheet events

There are no post balance sheet events to be disclosed.