

Onnec Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 06468498



Onnec Group Limited

Company Information

Directors	B J Horgan J Moeller-Jensen S H C Morrish M Porter M A Budd
Company secretary	B J Horgan
Registered number	06468498
Registered office	Second Floor Farringdon Point 33 Farringdon Road London EC1M 3JF
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Onnec Group Limited

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Onnec Group Limited

Group Strategic Report For the year ended 31 December 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022 (the comparatives are for the year ended 31 December 2021). As previously reported, on 6 July 2022 the company changed its name from ExcelRedstone Services Limited to Onnec Group Limited.

Business review

I am delighted to present our 2022 annual report.

Following the peak of COVID19 outbreak in May 2020, we have successfully transitioned to the office/home hybrid model for servicing our customers and providing a better work/life balance for our employees. This is key to retaining our existing employees and attracting new employees who choose to split their working time between the home and office.

IT infrastructure, Data Centres, Managed Services and Smart Buildings had a strong year with a YoY growth of 33% from 2021 sales. This acceleration in sales was partially due to the COVID hangover in 2020-2021 where projects were delayed. The group delivered £129,652,169 in the 12 months to 31 December 2021 compared to £97,689,219 of turnover in the 12 months to 31 December 2021.

The business continues to benefit from long standing client relationships with global institutions which provide both long term managed service contract and associated project activity. These complementary business streams enable us to maintain continuity of service and dialogue with the customer base ensuring that we maintain presence and visibility with the customer thereby enabling us to capture greater levels of future work than if we were not continually involved. This provides a competitive advantage, providing opportunities for strong and durable customer relationships.

Through its scale and international locations the group is an industry leader in data centre, fulfilment centre and office IT infrastructure markets across Europe and continues to build and invest in its international capabilities in the Americas and the Asia-Pacific region so that we can truly deliver a global solution to our customers.

The group continues in its position as a leader in technology of client led customer solutions, with our Smart Building and In building Technology Solutions, Onnec IQ and Onnec DQ, being at the leading edge of technology and is deployed in the many of London's most prestigious new property projects.

In the 12 months to 31 December 2022 gross margin of £27,165,379 was delivered at 20.95% compared to £18,712,539 at 19.16% for the comparative 12-month period.

Cash on 31 December 2022 was £3,489,277 compared to £7,120,499 on 31 December 2021, a decrease in cash balances over the 12 months to 31 December 2022 of £3,631,222. The movement in cash is mainly due to financing of the day to day working capital requirements within the business from the large increase in sales YoY of 33% (£32.0m). In addition, with the peak in project activity for the year occurring throughout the fourth quarter, the timing of higher trade debtor and accrued income balances unwinding into the cash balance continued into the first quarter of 2023 which put a temporary downward pressure on the year-end cash position.

On 30 March 2022, the group completed a refinancing agreement to finance the purchase of Load Services AB, repay the UK Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS) loan balance and purchase share capital from an existing shareholder.

International expansion continues to be the group's long term objective by delivering leading edge services and projects for our blue chip customers across the globe. On 28 February 2022, the group acquired an established business in Sweden (Load Services AB – which has since changed name to Onnec Sweden AB). This strategic acquisition is symptomatic of the ongoing appetite from its global customer base to deploy Onnec's services in ever-increasing territories around the world. The acquisition brings the benefit not only of Onnec Sweden AB's existing customer portfolio but springboards Onnec group's ability to realise and capture far greater portion of existing global customer demand for service deployment in the Nordic region.

Onnec Group Limited

Group Strategic Report (continued) For the year ended 31 December 2022

Business review (continued)

More broadly, our clients, comprised of hyper scalers and multi national financial organisations, have experienced increased demand for their services in the post-pandemic hybrid- and remote-working environment that we now find ourselves in. This has resulted in many of our customers revisiting their IT infrastructure requirements and we expect increased demand for our services in the medium to longer term.

Our objectives over the next few years will be to continue to support our clients globally. We will continue to develop innovative solutions that meet the needs of the emerging requirements of our clients. We believe that our reputation for service and excellent delivery will support our growth ambitions.

The directors have assessed the company's current forecasts, considering reasonable changes in trading performance. Based on this review, the directors believe that the company will continue to operate within the resources currently available to it. The directors accordingly continue to adopt the going concern basis in preparing these financial statements.

No dividend will be paid for the year ended 31 December 2022.

Business model

The group (Onnec Group UK Limited and its sister companies owned by Onnec Group Limited) has been at the vanguard of IT infrastructure and support for more than 30 years. The group has developed a comprehensive portfolio of services which support clients through every stage of the infrastructure cycle, from design and installation through maintenance and support and on to optimisation which allow modern enterprises to support fast changing 24x7x365 operations at local, national and international levels.

The group operates under a relatively traditional business model: strategic management and admin services are based centrally whilst our operational activities take place generally at client premises.

Our extensive service offerings include:

- Data Centres - full range of services beginning with data centre IT infrastructure design and build out, through to providing comprehensive 24x7x365 support
- Workplace - service offering that covers all areas from the desktop through to network infrastructure / active equipment and everything in between
- Smart Buildings - technologies that transform building management, from Onnec iQ, Onnec dQ occupancy management to integrated CCTV, access control, in Building Cellular and more

These complementary business streams enable us to ensure continuity of service and dialogue with the customer base beyond the intermittent need for substantial project investment. This provides competitive advantage in certain circumstances not least of all in terms of providing opportunities for strong and durable customer relationships.

The group now has a compelling international profile, with offices in the UK, Ireland, Germany, Austria, Switzerland, Sweden, Denmark, Belgium, The Netherlands, Luxembourg, Singapore, Japan, Australia, Hong Kong and USA plus many years' experiences of working across the globe. The business continues to respond to the increasingly international outlook of our clients and has created a platform from which we can provide support across the globe.

Our core customer base of major financial institutions, hyperscale data centre companies, fit out companies and property developers continue to provide both strong continuing revenues and new opportunities as their respective markets for our services expand due to technological developments and market growth. We intend to continue expanding our presence in overseas markets where existing relationships support that development and where further opportunity exists for our expanded offering.

Consequently, the board is optimistic with regards to the immediate future as we benefit from repositioning

Onnec Group Limited

Group Strategic Report (continued) For the year ended 31 December 2022

based on our enlarged presence and capability. Given a favourable economic background for our customers we are confident that we will occupy a prominent place in the market and deliver successful projects and services for our customers.

Strategy

Our objective is to achieve above market growth over the long term economic cycle through our enhanced service and product offerings that are continually enhanced and supported with investment.

We will continue to complement organic growth with relevant target acquisitions that expand our technical capabilities and geographic reach.

Financial review

Turnover was £129,652,169 in the year to 31 December 2022 compared to £97,689,219 in the year to 31 December 2021, benefitting from a reopening of the economy for the group's service throughout 2022.

The year to 31 December 2022 saw gross profit from continuing operations at £27,165,379 at 20.95% compared to £18,712,539 in the year to 31 December 2021 at 19.16%.

Adjusted EBITDA (operating profit adding back depreciation, amortisation and exceptional costs) for the financial year was £6,975,746 (2021 - £3,072,936).

There was a profit for the financial year before taxation of £1,438,486 (2021 - loss before taxation of £1,515,389).

Net assets of the group at the year-end were £1,124,536 (2021 - £8,951,559). The decrease is attributable to the buyback of shares within the group during the period.

Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Our KPIs measure past performance and provide information to allow us to manage the business.

Turnover, gross profit and net profit indicate the volume of work we have done and its profitability. KPIs for the year ended 31 December 2022 are shown in the table below, along with prior year's comparatives for continued operations as follows:

	2022 £	2021 £
Turnover	129,652,169	97,689,219
Gross margin (%)	21	19
Gross margin	27,165,379	18,712,539
Adjusted EBITDA	6,975,746	3,072,936
Trading profit/(loss)	1,438,486	(1,515,389)

Onnec Group Limited

Group Strategic Report (continued) For the year ended 31 December 2022

Financial key performance indicators (continued)

Turnover from continuing operations

As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.

Gross margin from continuing operations

Gross margin provides an indication of the quality of turnover growth and is also a measure of value added by the group, reflecting the quality of design and production processes which enable the group to achieve premium price points.

Operating profit

Operating profit provides confidence that the gross margin is not offset by excessive support costs and gives an indication of future cash flows.

Non financial indicators

The key non financial indicators monitored by the company are the ability to maintain the existing customer base, the ability to attract new customers, continued contract performance, growth of the future order pipeline and ensuring we provide a working environment that is inclusive to maximise productivity, attract new talent and increase employee wellbeing. The directors consider these areas to be the principal risk or uncertainty that the business faces.

Principal risks and uncertainties

Competition

The already competitive market could become even more competitive, and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue. We will mitigate this risk by:

- Creating commercial advantage by providing the highest level of service, consistently and at a price which offers value
- Differentiation of service
- Enhance the barriers to entry to newcomers provided by our platform of industry leading IT and hardware experienced personnel, and global reach
- Regularly estimate and monitor our market share and track the performance of our competitors

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Group Strategic Report (continued) For the year ended 31 December 2022

People

Retaining and attracting good people is key to delivering superior performance and customer service.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely. We will mitigate this risk by:

- Provide well structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need
- Ensuring that our staff have the right working environment and equipment to enable them to do the best job possible. This has become ever more relevant in the post Covid 19 reality as many of our staff now work in a hybrid environment
- Invest in training and career development opportunities for our people to support them in their careers
- Making sure everyone feels welcome in the workplace and promotes an inclusive workplace in order to maximise productivity, attract new talent and increase employee wellbeing

Financial risk management objective and policies

The group has a variety of financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the group's operations. The existence of these financial instruments exposes the group to several financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are market risk (including foreign exchange risk, cash flow interest rate risk and price risk) credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Market risk

i) Foreign exchange risk

The group is exposed to transaction foreign exchange risk occasionally. If transaction exposures, including those associated with forecast transactions were significant, they would be hedged when known, principally using forward currency contracts. These are infrequent and whilst the aim is to achieve an economic hedge the group does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the statement of comprehensive income.

ii) Cash flow interest rate risk

The company's cash flow is at risk of market-driven changes in the interest rate applicable to its loans. The company responds to that risk through active liquidity management including regular cash flow forecasting, the maintenance of adequate liquidity levels and monthly reporting of current cash flow performance.

iii) Price risk

The group is not exposed to significant commodity price risk.

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Group Strategic Report (continued) For the year ended 31 December 2022

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

Liquidity risk

Liquidity risk is the risk that the group cannot meet financial liabilities when they fall due. The group's policy for managing liquidity risk is to ensure that the business has enough financial resources to carry out its day to day activities at any point in time. Cash management is tightly controlled with various stakeholders in the business ensuring the business meets the final liabilities of the company.

Inflationary risk

The price at which the group sells its services is built up from the costs expected to be incurred in delivering those services. Inflationary risk to the group arises from situations where costs incurred have increased but the company is unsuccessful in passing those increases on to its customers. Purchased materials account for the majority of the group's cost of sales and typically the group's global customers have global price agreements with their preferred manufacturers. The group is therefore insulated from any inflationary increases in these instances. In circumstances where no price agreements are in place the group obtains refreshed cost quotations from suppliers at the stage where the group bids for work to be carried out for customers. In this way, the group becomes aware of increased costs significantly in advance of the cost being incurred and is able to build that into the sales price included in customer bids.

Employees

The group's employment policies are designed to ensure that they meet the statutory, social and market practices in the UK and other countries where the group operates. The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be considered when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its relationship with its staff.

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability, or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Throughout 2022 the company worked with the National Centre for Diversity to push initiatives to support equality and diversity and will continue to work in this area to move to the next level of accreditation.

Onnec Group Limited

Group Strategic Report (continued) For the year ended 31 December 2022

Streamlined energy and carbon reporting (SECR)

The SECR framework is a mandatory UK wide energy and carbon reporting scheme that seeks to improve transparency and help reduce UK carbon emissions associated with business and industry.

Onnec Group Limited are required to report under the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

This report includes UK energy use and the associated GHG emissions, that relate to

- Activities for which Onnec Group Limited is responsible involving the combustion of gas, or consumption of fuel for the purposes of transport; and
- The purchase of electricity by the company for its own use, including for the purpose of transport

The tables below display the Intensity Ratios and total emissions associated with the operating activities of Onnec Group Limited and its subsidiaries (percentage variances shown compare 2022 against 2020)

Energy Consumption		2022	2021	2020	Variance
Scope 1: Combustion of fuel and operation of off-site	Natural Gas (kWh)	0	0	0	-
	Direct Transport: Company Cars (kWh)	552,149	496,681	413,911	34%
Scope 2: Electricity purchased	Total Electricity (kWh)	46,070	77,312	75,942	-40%
Scope 3: Indirect Transport	Employee owned vehicles (kWh)	392,908	274,864	310,102	25%

Emissions Assessment		2022	2021	2020	Variance
Scope 1: Combustion of fuel and operation of off-site	Natural Gas (tCO ₂ e)	0	0	0	-
	Direct Transport: Company Cars (tCO ₂ e)	140	117	99	41%
Scope 2: Electricity purchased and heat and steam generated	Location Based (LB) (tCO ₂ e)	17	26	28	-35%
	Market Based (MB) (tCO ₂ e)	0	15	17	-100%
Scope 3: Indirect Transport	Employee owned Vehicles (tCO ₂ e)	97	68	74	41%
	Location Based	-	-	-	-
	Market Based	-	-	-	-

Intensity Metric Assessment		2022	2021	2020	Variance
Intensity Ratio 1	Electricity (kWh) / Sales (£m)	2.77	2.80	2.31	20%
Intensity Ratio 2	CO ₂ emissions (tCO ₂ e) / Sales (£m)	0.16	0.22	0.116	37%

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Group Strategic Report (continued) For the year ended 31 December 2022

Section 172 (1) statement

The board welcomes the section 172 reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions.

The Companies Act 2006 (the "Act"), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, now requires companies to include a "Section 172(1) Statement" in the strategic report describing how directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Act when performing their duties under Section 172. Section 172 of the Act requires directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

S172(1)(a) "The likely consequences of any decision in the long term"

Through working collaboratively with management and listening to feedback from the company's many stakeholders, the board believes that is well positioned to respond to any uncertainties arising in the business. As a private company the board's decision making process inherently focuses on long term strategic goals.

S172(1)(b) "The interests of the company's employees"

The directors recognise that the company's employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees.

S172(1)(c) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers and customers and regulatory entities. The businesses continuously assess the priorities related to customers and those with whom we do business, and the board engages with the businesses on these topics.

S172(1)(d) "The impact of the company's operations on the community and the environment"

The company is embedded in the UK business community and regularly provides strategic support to charities in the form of project work or direct donation.

S172(1)(e) "The desirability of the company maintaining a reputation for high standards of business conduct"

The board periodically reviews and approves policies, such as the employee handbook and adheres to ISO industry standards. In 2022 the company achieved a rating of Excellent in the Considerate Constructors scheme.

S172(1)(f) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the company's members but are not required to balance the company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Delegation of authority

The board believes governance of the company is best achieved by delegation of its authority for the executive management of the company to the CEO, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.


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Group Strategic Report (continued) For the year ended 31 December 2022

The board has adopted a long standing corporate governance framework, which includes principles outlining

- The board's relationship with shareholders and executive management
- The conduct of board affairs and the tasks and requirements for board committees
- The board's focus on activities that enable it to promote shareholders' interests, including development of strategy, monitoring of executive action and ongoing board and executive management succession

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

DocuSigned by:

F5D0FFA8BAA4A476
B J Horgan
Director

Date: 29-06-2023

Onnec Group Limited

Directors' Report For the year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022. As previously reported, on 6 July 2022 the company changed its name from ExcelRedstone Services Limited to Onnec Group Limited.

Principal activity

The principal activity of the group during the year continues to be the provision of a comprehensive portfolio of services which support clients through every stage of the infrastructure cycle, from design and installation through maintenance and support and on to optimisation which allow modern enterprises to support fast changing 24x7x365 operations at local, national and international levels

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 - 9 of these financial statements. Subsequent events have been disclosed in note 31.

Results and dividends

The profit for the year, after taxation, amounted to £119,090 (2021 - loss of £2,287,255).

The directors do not recommend payment of a dividend (2021 - £Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

B J Horgan
J Moeller-Jensen
S H C Morrish
M Porter
M A Budd

Directors' indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company has the benefit of directors' and officer's liability insurance in respect of itself and its directors which is purchased by the company's ultimate parent company.

Going concern

For further information on going concern, see note 2.4 of the financial statements.

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 the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

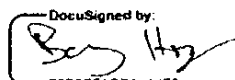
Onnec Group Limited

Directors' Report (continued) For the year ended 31 December 2022

Auditor

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

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

DocuSigned by:


F603FFA9BA4A475.....
B J Horgan
Director

Date: 29-06-2023

Onnec Group Limited

Directors' Responsibilities Statement For the year ended 31 December 2022

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Onnec Group Limited

Independent Auditor's Report to the Members of Onnec Group Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Onnec Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements

Conclusions relating to going concern

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

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

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

Onnec Group Limited

Independent Auditor's Report to the Members of Onnec Group Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

Matters on which we are required to report by exception

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

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

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

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Independent Auditor's Report to the Members of Onnec Group Limited (continued)

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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We obtained an understanding of the procedures and controls that the group has established to address risks identified or that otherwise prevent, deter and detect fraud. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk including testing a sample of accounting entries meeting risk criteria we determined as being relevant and that a sample purchase had been properly authorised and appropriate supporting evidence was available. These procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of group management, review of Board minutes and reviews of relevant correspondence.
- We tested journal entries, focusing on journal entries containing of audit interest such as journals relating to revenue.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the group.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

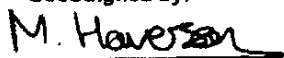
Onnec Group Limited

Independent Auditor's Report to the Members of Onnec Group Limited (continued)

Use of our report

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

DocuSigned by:



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Matthew Haverson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 29 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Onnec Group Limited

Consolidated Statement of Comprehensive Income For the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	129,652,169	97,689,219
Cost of sales		(102,486,790)	(78,976,680)
Gross profit		27,165,379	18,712,539
Administrative expenses		(23,263,012)	(18,136,636)
Exceptional administrative expenses	5	(1,092,275)	(1,114,508)
Operating profit/(loss)	5	2,810,092	(538,605)
Interest receivable and similar income	8	32,513	6
Interest payable and similar charges	9	(1,404,119)	(976,790)
Profit/(loss) before taxation		1,438,486	(1,515,389)
Tax on profit/(loss)	10	(1,319,396)	(771,866)
Profit/(loss) for the financial year		119,090	(2,287,255)
Currency translation differences		1,415,428	(546,804)
Total comprehensive income for the year		1,534,518	(2,834,059)

All amounts relate to continuing operations

The notes on pages 27 to 55 form part of these financial statements

Onnec Group Limited

Registered number: 06468498

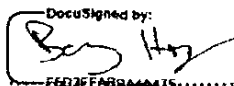
**Consolidated Statement of Financial Position
As at 31 December 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	15,344,310	12,265,795
Tangible assets	12	902,998	662,658
		<u>16,247,308</u>	<u>12,928,453</u>
Current assets			
Stocks	14	1,082,473	1,028,434
Debtors: amounts falling due after more than one year	15	16,508	281,768
Debtors: amounts falling due within one year	15	50,791,419	33,233,440
Cash at bank and in hand		3,489,277	7,120,499
		<u>55,379,677</u>	<u>41,664,141</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(48,468,879)	(37,317,250)
Net current assets		<u>6,910,798</u>	<u>4,346,891</u>
Total assets less current liabilities		<u>23,158,106</u>	<u>17,275,344</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	(21,122,502)	(7,272,702)
Provisions for liabilities			
Other provisions	21	(911,068)	(1,051,083)
Net assets		<u>1,124,536</u>	<u>8,951,559</u>
Capital and reserves			
Share capital	22	7,531	9,331
Share premium account	24	931,799	931,799
Capital redemption reserve	24	8,833	8,833
Profit and loss account	24	176,373	8,001,596
Total equity		<u>1,124,536</u>	<u>8,951,559</u>

Onnec Group Limited
Registered number: 06468498

Consolidated Statement of Financial Position (continued)
As at 31 December 2022

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

DocuSigned by:

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B J Horgan
Director

Date: 29-06-2023

The notes on pages 27 to 55 form part of these financial statements

Onnec Group Limited

Registered number: 06468498

**Company Statement of Financial Position
As at 31 December 2022**

	Note	2022 £	2021 £
Fixed assets			
Investments	13	50,684,350	45,005,994
Current assets			
Debtors: amounts falling due within one year	15	405,188	1,029,659
Cash at bank and in hand		12,178	196,573
		<u>417,366</u>	<u>1,226,232</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(28,316,080)	(36,831,097)
Net current liabilities		<u>(27,898,714)</u>	<u>(35,604,865)</u>
Total assets less current liabilities		<u>22,785,636</u>	<u>9,401,129</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	(21,122,502)	(7,272,702)
Net assets		<u><u>1,663,134</u></u>	<u><u>2,128,427</u></u>
Capital and reserves			
Share capital	22	7,531	9,331
Share premium account	24	931,799	931,799
Capital redemption reserve	24	8,833	8,833
Profit and loss account	24	714,971	1,178,464
Total equity		<u><u>1,663,134</u></u>	<u><u>2,128,427</u></u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of income and retained earnings in these financial statements. The profit after tax of the parent company for the year was £8,957,963 (2021 - loss of £250,769).

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

DocuSigned by:

 F503PFA8B4A275
B J Horgan
 Director

Date: 29-06-2023

The notes on pages 27 to 55 form part of these financial statements.

Onnec Group Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2022

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2022	9,331	931,799	8,833	8,001,596	8,951,559
Comprehensive loss for the year					
Profit for the year	-	-	-	119,090	119,090
Currency translation differences	-	-	-	1,415,428	1,415,428
Purchase of company shares	-	-	-	(9,359,741)	(9,359,741)
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,825,223)</u>	<u>(7,825,223)</u>
Shares issued during the year	145	-	-	-	145
Shares cancelled during the year	(1,945)	-	-	-	(1,945)
At 31 December 2022	<u><u>7,531</u></u>	<u><u>931,799</u></u>	<u><u>8,833</u></u>	<u><u>176,373</u></u>	<u><u>1,124,536</u></u>

Onnec Group Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2021	9,244	931,799	8,833	10,835,655	11,785,531
Comprehensive loss for the year					
Loss for the year	-	-	-	(2,287,255)	(2,287,255)
Currency translation differences	-	-	-	(546,804)	(546,804)
Total comprehensive loss for the year	-	-	-	(2,834,059)	(2,834,059)
Shares issued during the year	87	-	-	-	87
At 31 December 2021	9,331	931,799	8,833	8,001,696	8,951,559

The notes on pages 27 to 55 form part of these financial statements

Onnec Group Limited

Company Statement of Changes in Equity For the year ended 31 December 2022

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2022	9,331	931,799	8,833	1,178,464	2,128,427
Comprehensive loss for the year					
Profit for the year	-	-	-	8,957,963	8,957,963
Currency translation differences	-	-	-	(61,715)	(61,715)
Purchase of company shares	-	-	-	(9,359,741)	(9,359,741)
Total comprehensive loss for the year	-	-	-	(463,493)	(463,493)
Shares issued during the year	145	-	-	-	145
Shares cancelled during the year	(1,945)	-	-	-	(1,945)
At 31 December 2022	7,531	931,799	8,833	714,971	1,663,134

Onnec Group Limited

Company Statement of Changes in Equity For the year ended 31 December 2021

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2021	9,244	931,799	8,833	1,369,290	2,319,166
Comprehensive loss for the year					
Loss for the year	-	-	-	(250,769)	(250,769)
Currency translation differences	-	-	-	59,943	59,943
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,826)</u>	<u>(190,826)</u>
Shares issued during the year	87	-	-	-	87
At 31 December 2021	<u><u>9,331</u></u>	<u><u>931,799</u></u>	<u><u>8,833</u></u>	<u><u>1,178,464</u></u>	<u><u>2,128,427</u></u>

The notes on pages 27 to 55 form part of these financial statements

Onnec Group Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit/(loss) for the financial year	119,090	(2,287,255)
Adjustments for:		
Amortisation of intangible assets	2,673,860	2,307,264
Depreciation of tangible assets	399,519	189,769
Bad debt provision	114,184	-
Interest expense	1,404,119	976,790
Interest receivable	(32,513)	(6)
Taxation charge	1,319,396	771,866
Increase in stocks	(10,308)	(210,698)
Increase in debtors	(17,407,020)	(9,402,624)
Increase/(decrease) in creditors	13,489,875	(28,450)
(Decrease)/increase in provisions	(140,015)	1,051,083
Corporation tax paid	(1,396,769)	(277,475)
Net cash generated from/(used in) in operating activities	533,418	(6,909,736)
Cash flows from investing activities		
Purchase of intangible fixed assets	(870,538)	(137,587)
Purchase of tangible fixed assets	(581,888)	(207,001)
Sale of tangible fixed assets	906	40,024
Cash paid in acquisition of subsidiary net of cash acquired	(1,716,432)	-
Purchase of short term listed investments	(96,900)	-
Interest received	32,513	6
Net cash used in investing activities	(3,232,339)	(304,558)
Cash flows from financing activities		
Issue of ordinary shares	145	87
Cancellation of ordinary shares	(9,361,686)	-
New secured loans	28,500,000	-
Arrangement fees paid on new loans	(388,000)	-
Repayment of long-term borrowings	(18,600,000)	(7,156,989)
Interest paid	(1,269,919)	(976,790)
Net cash used in financing activities	(1,119,460)	(8,133,692)
Net decrease in cash and cash equivalents	(3,818,381)	(15,347,986)

Onnec Group Limited

Consolidated Statement of Cash Flows (continued) For the year ended 31 December 2022

	2022 £	2021 £
Cash and cash equivalents at beginning of year	7,120,499	22,923,877
Foreign exchange gains and losses	187,159	(455,392)
Cash and cash equivalents at the end of year	3,489,277	7,120,499
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,489,277	7,120,499

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

1. General information

Onnec Group Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report and strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole;
- No disclosure has been given of the parent company's profit and loss and statement of comprehensive income.
- One reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliation's for the group and the company would be identical,
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

2.4 Going concern

The group and company financial statements have been prepared on a going concern basis. In reaching this conclusion regarding the going concern assumption, the directors considered cash flow forecasts for a period of greater than twelve months from the date of signing of these financial statements.

As at 31 December 2022 the group had total borrowings including its invoice discounting facility and a fully drawn revolving credit facility ("RCF") of £28.6m, with cash of £3.5m.

The bank borrowings have a number of quarterly financial covenant tests that must be adhered to, these include interest cover, adjusted leverage and cash flow cover. All of these covenants have been met in the period to 31 December 2022.

In assessing its ability to continue as a going concern the group have considered a number of scenarios and liquidity positions. The cash flow forecasts assessed the ability of the group to operate both within the revised covenants and the facility headroom. This included a downside sensitivity.

In light of the current trading, pipeline, cash position and revised forecasts, the Directors have assessed the required downturn in revenue and EBITDA for a covenant breach to occur and concluded that a breach is unlikely to occur. This therefore does not impact the basis of preparation of the financial statements and there is no material uncertainty in this regard.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.5 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Turnover is measured at fair value of its consideration received, excluding discounts, value added tax and other sales duty.

Turnover from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Turnover includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that the total contract costs will exceed total turnover, the expected loss is recognised immediately. Turnover relating to contractual maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts receivable on contracts' within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

2.7 Operating leases: the Group as lessee

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

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.8 Research and development

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

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

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure.

2.10 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.11 Finance costs

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

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.14 Exceptional items

Exceptional items are transactions that are non-recurring extraordinary items that fall outside the ordinary activities of the group. They are presented separately due to their size and incidence.

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life of 10 years.

Development costs

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

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

Software

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

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

The estimated useful lives range as follows:

Software	-	3	years
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Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.16 Tangible fixed assets

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

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	- depreciated over the length remaining on the corresponding improvements lease
Plant & machinery	- 33% per annum
Motor vehicles	- 33% per annum
Fixtures and fittings	- 20% - 33% per annum
Office equipment	- 20% - 33% per annum

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.

2.17 Impairment of fixed assets and goodwill

Fixed assets and goodwill are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased, except for goodwill where impairment losses previously recognised are not reversed.

2.18 Valuation of investments

In the company's individual accounts, investments in subsidiaries are measured at cost less accumulated impairment.

Investments in subsidiaries are measured at cost less accumulated impairment.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.19 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.20 Debtors

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

2.21 Invoice discounting

Certain debtors are subject to invoice discounting with full recourse and therefore continue to be recognised in full within trade debtors due within one year and the returnable element of proceeds is recorded with bank loans due within one year. Related fees and interest are charged to the statement of comprehensive income when paid. The cost of bad debts is borne by the company and is charged to the statement of comprehensive income when incurred.

2.22 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.23 Creditors

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

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.24 Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

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

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

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

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.25 Current and deferred taxation

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

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

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

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

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

2.26 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry to a capital contribution reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms of vesting and exercise are dependent on an exit event no amounts are charged to profit and loss until it is greater than probable that an exit event will occur.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Key accounting estimates and assumptions

The group has made key assumptions regarding the useful economic life of intangible and tangible fixed assets and this is further described in note 2.15 and 2.16 of the accounting policies.

- Additionally turnover and profit is recognised on the stage of completion basis which requires management of estimate percentage and cost to complete.
- As part of the business combinations in the previous year, the group issued service and non-service linked put and call share options to stakeholders in the acquiree which required the group to estimate the future EBITDA projections of the acquiree in determining the value of the put and call share options accounted for in the company only financial statements

4. Turnover

The whole of the turnover is attributable to the principal activity of the group with 60% (2021 - 67%) arising from within the United Kingdom and 40% (2021 - 33%) arising from within Europe and the rest of the world.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2022	2021
	£	£
Depreciation of tangible fixed assets	399,519	189,769
Amortisation of intangible assets, including goodwill	2,673,860	2 307,624
Fees payable to the company's auditor and its associates for the audit of the company and group annual financial statements	45,490	35,000
Fees payable to the group's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	206,863	135,000
- Taxation compliance and other services pursuant to legislation	24,000	12 500
Other accountancy services	44,912	16 755
Exchange differences	281,773	(395 631)
Defined contribution pension cost	1,680,732	778,911

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

5. Operating profit/(loss) (continued)

Exceptional items

	2022 £	2021 £
- Exceptional administrative expenses	<u>1,092,275</u>	<u>1,114,508</u>
- Employee benefit charge on service linked put & call options (note 23)	-	(102,115)
- Transaction related costs	335,354	54,663
- Legal expense re tax/lease compliance	-	86,748
- Corporate restructuring and redundancy	-	179,317
- Labour working costs (note 21)	-	895,895
- Rebranding costs	441,445	-
- Refinance costs	60,335	-
- VAT penalty	255,141	-
	<u>1,092,275</u>	<u>1,114,508</u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

6. Employees

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

	Group 2022 £	Group 2021 as restated £	Company 2022 £	Company 2021 as restated £
Wages and salaries	42,238,310	31,454,974	-	-
Social security costs	4,701,720	3,475,915	-	-
Cost of defined contribution scheme	1,680,732	1,298,705	-	-
	<u>48,620,762</u>	<u>36,229,594</u>	<u>-</u>	<u>-</u>

During the year, the group noted that wages and salaries of prior year signed account for Onnec Group was erroneously stated as £57,718k instead of £36,230k due to incorrect classification of specific nominal codes. This error has been corrected in current year by restating the prior year wages and salaries. This error does not have any impact on the prior year income statement and net assets

The average monthly number of employees, including the directors, during the year was as follows

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Workforce	664	592	-	-
Administration	167	133	-	5
	<u>831</u>	<u>725</u>	<u>0</u>	<u>5</u>

7. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	1,375,704	836,520
Company contributions to defined contribution pension schemes	32,169	18,000
	<u>1,407,873</u>	<u>854,520</u>

The highest paid director received remuneration of £196,921 (2021 - £145,229)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,405 (2021 - £9,446). Contributions were made to 3 directors' personal pension arrangements

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

8. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	<u>32,513</u>	<u>6</u>

9. Interest payable and similar charges

	2022 £	2021 £
Bank interest payable	1,269,919	976,790
Amortised loan costs	<u>134,200</u>	<u>-</u>

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	1,007,788	626,286
Adjustments in respect of previous periods	73,228	170,747
Total current tax	<u>1,081,016</u>	<u>797,033</u>
Deferred tax		
Origination and reversal of timing differences	74,294	2,959
Adjustments in respect of prior periods	164,086	14,580
Effect of tax rate change on opening balance	-	(42,706)
Total deferred tax	<u>238,380</u>	<u>(25,167)</u>
Taxation on profit on ordinary activities	<u><u>1,319,396</u></u>	<u><u>771,866</u></u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

10. Taxation (continued)

Factors affecting tax charge for the year/period

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

	2022 £	2021 £
Profit/(loss) on ordinary activities before tax	1,438,486	(1,515,389)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	273,312	(287,924)
Effects of:		
Expenses not deductible for tax purposes	842,097	750,026
Adjustments in respect of prior periods	237,314	185,327
Investment Income - dividend received	(56,999)	-
Group relief claim	(31,451)	-
Adjust opening/closing deferred tax to average rate	-	(41,996)
Deferred tax not recognised	283,911	225,777
Difference due to foreign tax rates	(243,228)	(59,344)
Other timing differences	14,440	-
Total tax charge for the year	1,319,396	771,866

Factors that may affect future tax charges

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. This rate was enacted but the prevailing rate at the year end is deemed to be 19%. Deferred tax has been recognised based on the rate of 25%.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

11. Intangible assets

Group

	Development expenditure £	Computer software £	Goodwill on consolidation £	Total £
Cost				
At 1 January 2022	435,205	1,865,868	22,501,593	24,802,666
Additions	601,250	269,288	-	870,538
Disposals	(210,800)	(1,687,319)	-	(1,898,119)
On acquisition of subsidiaries (see note 26)	-	-	3,926,511	3,926,511
Additional consideration paid in the current year	-	-	955,238	955,238
Foreign exchange movement	-	295	-	295
At 31 December 2022	825,655	448,132	27,383,342	28,657,129
Amortisation				
At 1 January 2022	210,800	1,769,837	10,556,234	12,536,871
Charge for the year	-	96,492	2,577,368	2,673,860
Disposals	(210,800)	(1,687,319)	-	(1,898,119)
Foreign exchange movement	-	207	-	207
At 31 December 2022	-	179,217	13,133,602	13,312,819
Net book value				
At 31 December 2022	825,655	268,915	14,249,740	15,344,310
At 31 December 2021	224,405	96,031	11,945,359	12,265,795

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business the expected useful life of the cash generating units to which the goodwill is attributed, any legal regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

12. Tangible fixed assets

Group

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 January 2022	765,051	543,703	1,678,060	2,986,814
Additions	118,338	180,551	282,999	581,888
Acquisition of subsidiary (see note 26)	-	5,209	-	5,209
Disposals	(627,109)	(162,088)	(1,450,192)	(2,239,389)
Exchange adjustments	-	54,181	-	54,181
At 31 December 2022	256,280	621,556	510,867	1,388,703
Depreciation				
At 1 January 2022	680,163	154,544	1,489,449	2,324,156
Charge for the year	45,568	198,361	155,590	399,519
Disposals	(627,109)	(161,182)	(1,450,192)	(2,238,483)
Exchange adjustments	-	513	-	513
At 31 December 2022	98,622	192,236	194,847	485,705
Net book value				
At 31 December 2022	157,658	429,320	316,020	902,998
At 31 December 2021	84,888	389,159	188,611	662,658

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	45,009,342
Additions	5,678,356
At 31 December 2022	<u>50,687,698</u>
Impairment	
At 1 January 2022	3,348
At 31 December 2022	<u>3,348</u>
Net book value	
At 31 December 2022	<u>50,684,350</u>
At 31 December 2021	<u>45,005,994</u>

During the year the company completed the acquisition of Load Services AB which was completed on 28 February 2022 (see note 26).

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

13. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
**ExcelRedstone Limited	England	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Germany GmbH (formerly Excel I.T. GmbH)	Germany	Provision of managed IT services, installation and consultancy	Ordinary	100%
**Onnec Holdings Limited	England	Intermediate holding company	Ordinary	100%
*Onnec Group UK Limited	England	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Holdings Ireland Limited (formerly Kedington Holdings Limited)	Ireland	Intermediate holding company	Ordinary	100%
*Onnec Ireland Limited (formerly Kedington Limited)	Ireland	Design, assembly, installation and maintenance of data networking systems	Ordinary	100%
*Onnec Group Northern Ireland Limited	Northern Ireland	Design, assembly, installation and maintenance of data networking systems	Ordinary	100%
*Onnec Denmark Aps (formerly Kedington Denmark Aps)	Denmark	Design, assembly, installation and maintenance of data networking systems	Ordinary	100%
Onnec USA Inc (formerly ExcelRedstone Inc.)	USA	Provision of managed IT services, installation and consultancy	Ordinary	100%
ExcelRedstone Singapore PTE Ltd	Singapore	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Switzerland GmbH (formerly ExcelRedstone (CH) GmbH)	Switzerland	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Luxembourg S.a.r.l. (formerly ExcelRedstone (LUX) S.a.r.l.)	Luxembourg	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Belgium B.V. (formerly ExcelRedstone (BE) B.V.)	Belgium	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Netherlands B.V. (formerly ExcelRedstone (NL) B.V.)	Netherlands	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Services Sweden AB (formerly ER Solutions Sweden AB)	Sweden	Provision of managed IT services, installation and consultancy	Ordinary	100%
Onnec Sweden AB (formerly LOAD Services AB)	Sweden	Provision of managed IT services, installation and consultancy	Ordinary	100%

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

* Indirectly held

** These subsidiaries have taken advantage of the audit exemption under s479A of the Companies Act 2006 for the year ended 31 December 2022. As such, Onnec Group Limited has provided a guarantee against all debts and liabilities in these subsidiaries as at 31 December 2022.

The registered office address of ExcelRedstone Limited, Onnec Holdings Limited and Onnec Group UK Limited is 85 Great Portland Street, First Floor, London, England, W1W 7LT.

The registered office address of Onnec Holdings Ireland Limited and Onnec Ireland Limited is 6th Floor South Bank House, Barrow street, Dublin 4 Willsborough Ind Est, 662883, Ireland.

The registered office address of Onnec Group Northern Ireland Limited is Unit 21, North West Business Centre, 2 Duncairn Gardens, Belfast, County Antrim, BT15 2GG, Northern Ireland.

The registered office address of Onnec Germany GmbH is An der Welle 4, 60322 Frankfurt a. Main Germany.

The registered office address of Onnec Denmark Aps is Cikorievej 58, 5220 Odense, Denmark.

The registered office address of Onnec USA Inc. is c/o Corporation Trust Center, 1209 Orange Street Wilmington, New Castle County, Delaware.

The registered office address of ExcelRedstone Singapore PTE Ltd is 77 Robinson Road, #13-00, Robinson 77, Singapore (068896).

The registered office address of Onnec Switzerland GmbH is c/o Intertrust Services (Schweiz) AG LLC, ZUG, 6300, Switzerland.

The registered office address of Onnec Luxembourg S.a.r.L is Route d'Arlon 287-289 1150, Luxembourg.

The registered office address of Onnec Belgium B.V. is Avenue Marnix 23, 1000 Brussels, Belgium

The registered office address of Onnec Netherlands B.V. is Amstelveenseweg 500, 1081 KL Amsterdam, The Netherlands.

The registered office address of Onnec Services Sweden AB is c/o Intertrust, Box 16285, 103 25 Stockholm, Sweden.

The registered office address of Onnec Sweden AB is Isafjordsgatan 39B, 164 40 Kista, Sweden

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

14. Stocks

	Group 2022 £	Group 2021 £
Raw materials and consumables	<u>1,082,473</u>	<u>1 028,434</u>

The difference between purchase and their replacement cost is not material

15. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due after more than one year				
Other debtors	-	26,880	-	-
Deferred tax asset	16,508	254,888	-	-
	<u>16,508</u>	<u>281,768</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	31,928,030	17,286,238	-	-
Amounts owed by group undertakings	-	-	352,386	138,658
Other debtors	1,157,559	1,487,955	52,802	61,927
Director's loan	1,178,056	1,145,670	-	-
Prepayments and accrued income	16,527,774	12,484,503	-	-
Put & Call option asset (note 23)	-	829,074	-	829,074
	<u>50,791,419</u>	<u>33,233,440</u>	<u>405,188</u>	<u>1,029,659</u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

16. Creditors: amounts falling due within one year

	Group 2022 £	Group As restated 2021 £	Company 2022 £	Company 2021 £
Amounts due on invoice discount facility	4,659,908	1,111,800	-	-
Bank loans	2,846,400	7,050,000	2,846,400	7,050,000
Payments received on account	4,617,681	4,436,458	-	-
Trade creditors	10,780,403	7,403,806	63,172	65,082
Amounts owed to group undertakings	-	-	23,049,347	29,592,349
Corporation tax	1,338,662	1,654,415	-	-
Other taxation and social security	4,571,842	4,441,149	-	-
Other creditors	4,925,030	449,376	2,228,664	123,666
Accruals and deferred income	14,600,456	10,770,246	-	-
Put & Call option liability (note 23)	128,497	-	128,497	-
	<u>48,468,879</u>	<u>37,317,250</u>	<u>28,316,080</u>	<u>36,831,097</u>

The amounts owed by the parent company to group undertakings are interest free and repayable on demand.

Amounts due under the Group's invoice discounting facility are secured on certain balances included within trade debtors.

The Kedington W,X,Y,Z service and non-service linked put & call share options are further detailed under note 23.

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	21,122,502	7,272,702	21,122,502	7,272,702
	<u>21,122,502</u>	<u>7,272,702</u>	<u>21,122,502</u>	<u>7,272,702</u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

18. Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due within one year				
Bank loans	2,846,400	7,050,000	2,846,400	7,050,000
Amounts falling due 1-2 years				
Bank loans	2,846,400	7,272,702	2,846,400	7,272,702
Amounts falling due 2-5 years				
Bank loans	6,347,400	-	6,347,400	-
Amounts falling due after more than 5 years				
Bank loans	11,928,702	-	11,928,702	-
	<u>23,968,902</u>	<u>14,322,702</u>	<u>23,968,902</u>	<u>14,322,702</u>

On 30 March 2022, the group completed a refinancing agreement with National Westminster Bank to finance the purchase of LOAD Services Sweden AB repayment of the UK Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS) loan balance and the purchase of share capital from an existing shareholder. The new facility consists of £15,000,000 term loan and a £12,000,000 revolving loan, repayable over the periods to March 2027.

The term loan of £15,000,000 accrues interest at a variable rate equivalent to SONIA rate plus 3.25%. The revolving loan of £12,000,000 accrued interest at a variable rate equivalent to SONIA rate plus 3.25%.

Arrangement fees of £388,000 (2021 - £702,500) were incurred which have been deducted from the initial carrying value of the loans and will be charged to profit or loss as part of the interest charged calculated using the effective interest rate method.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

19. Financial instruments

	Group 2022 £	Group 2021 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>54,280,696</u>	<u>40,380,819</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(63,680,877)</u>	<u>(38,494,388)</u>

Other financial liabilities measured at fair value through profit and loss comprise

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, amounts recoverable on long term contracts and cash at bank and in hand

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors other creditors, accruals and deferred income.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the directors' report

20. Deferred taxation

Group

	2022 £	2021 £
At beginning of year	254,888	229,721
Charged to profit or loss	(238,380)	25,167
At end of year	<u>16,508</u>	<u>254,888</u>
	Group 2022 £	Group 2021 £
Accelerated capital allowances	16,508	254,888
	<u>16,508</u>	<u>254,888</u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

21. Provisions

Group

	Repair obligations £	Other provision £	Total £
At 1 January 2022	175,653	875,430	1,051,083
Charged to profit or loss	(140,015)	-	(140,015)
At 31 December 2022	35,638	875,430	911,068

At 31 December 2022 the Group had two property leases, one expiring on 16 January 2024 and the other under a tenancy arrangement that expires on 1 November 2031. The above provision has been made by the management in recognition of the estimated cost of returning these premises to the condition specified in the leases based on historic property dilapidation costs and dealings with the present landlords. Until the final settlement and expiry of these leases these provisions will remain as management estimations.

The Group has recognised a provision of £875,430 in the books of a subsidiary in relation to a liability that may become payable in relation to labour working at a customer site from 2018 to 2021. The matter is currently under consideration with the counterparty and it is uncertain when the matter will conclude.

22. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
113,496 (2021 - 113,496) ordinary A shares of £0.01 each	1,135	1,135
585,690 (2021 - 780,229) ordinary B shares of £0.01 each	5,857	7,802
200 (2021 - 200) ordinary D shares of £0.01 each	2	2
53,672 (2021 - 39,190) ordinary E shares of £0.01 each	537	392
	7,531	9,331

14,482 ordinary E shares of £0.01 each were issued during the year at par.

194,539 ordinary B shares of £0.01 each were cancelled during the year at par.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

23. Share-based payments

Subsidiary: Share options

On 8 March 2017 the company issued 34,980 share options to certain key employees for the commercial purpose of retaining the services of the relevant option holders.

On 14 December 2018 the company issued a further 18,034 share options to directors of Kedington Holdings Limited as part of the acquisition in the year for the commercial purpose of retaining the relevant option holders.

The vesting of the options is wholly contingent on an exit event occurring at which point the options shall be deemed to have vested provided that the option holder is still in employment and not under notice.

The options are not subject to any other performance conditions. At the period-end date the directors do not consider any such exit event probable and therefore there is no related statement of comprehensive income charge for the period (2021 - £Nil).

Subsidiary: Put and call options

As part of the previous Kedington acquisition certain key stakeholders and employees were issued 1,163,044 W, 1,163,044 X, 1,162,844 Y and 1,162,844 Z service and non-service linked put & call share options respectively. The option exercise periods of each of the W, X, Y, Z share options end on 31 December 2019, 2020, 2021 and 2022 respectively with consideration linked to EBITDA achieved in the preceding year.

The service linked put & call share options are contingent on the employees remaining in service during each of the respective W, X, Y, Z option vesting periods. The present value of the liability (linked to cumulative EBITDA projections for each of the options periods) is recorded in creditors with movements being reflected in profit and loss. During the year ended 31 December 2022, a credit of £Nil was recorded as the EBITDA trigger for 2022 was not achieved.

The non-service linked put & call share options have been accounted for as consideration for investment in Kedington on the date of acquisition and calculated based on cumulative discounted EBITDA projections for each of the W, X, Y, Z option periods. During the year ended 31 December 2022 no further adjustments were made.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

24. Reserves

The company's capital and reserves are as follows:

Share capital

Share capital represents the nominal value of the shares issued

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

25. Analysis of net debt

	At 1 January 2022 £	Cash flows £	Acquisition of subsidiaries £	Other non- cash changes £	At 31 December 2022 £
Cash at bank and in hand	7,120,499	(2,005,049)	(1,813,332)	187,159	3,489,277
Debt due after 1 year	(7,272,702)	(9,512,000)	-	(4,337,800)	(21,122,502)
Debt due within 1 year	(7,050,000)	-	-	4,203,600	(2,846,400)
	<u>(7,202,203)</u>	<u>(11,517,049)</u>	<u>(1,813,332)</u>	<u>52,959</u>	<u>(20,479,625)</u>

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

26. Business combinations

On 28 February 2022 Onnec Group Limited acquired 100% of Load Services AB.

Acquisition of Load Services AB

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed assets			
Tangible	5,209	-	5,209
Current assets			
Debtors	340,280	-	340,280
Cash at bank and in hand	706,357	-	706,357
Total assets	1,051,846	-	1,051,846
Creditors			
Due within one year	(353,438)	-	(353,438)
Total identifiable net assets	698,408	-	698,408
Goodwill			3,926,511
Total purchase consideration			4,624,919
Consideration			
			£
Cash			2,422,789
Deferred consideration			742,142
Contingent consideration			1,363,088
Acquisition cost			96,900
Total purchase consideration			4,624,919

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

26. Business combinations (continued) Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	2,422,789
	<u>2,422,789</u>
Less: Cash and cash equivalents acquired	(706,357)
	<u>1,716,432</u>
Net cash outflow on acquisition	1,716,432

From the date of acquisition to the reporting date, revenue of £2,216,062 and profit of £62,382 was included in the consolidated statement of comprehensive income.

The useful economic life of goodwill has been estimated to be 10 years.

No separately identifiable and contractual intangibles assets were identified and consequently the excess consideration over the net liabilities of the business is classified as goodwill.

27. Contingent liabilities

Onnec Group Limited signed a facilities agreement with National Westminster Bank Plc dated 25 May 2018 secured over the assets of the company. During the current year there have been amendments to the agreement due to the revision of facilities and therefore a revised agreement was signed on 30 March 2022. An unlimited intercompany guarantee dated 25 May 2018 in favour of National Westminster bank Plc is also secured over the assets of Excel Redstone Limited.

The directors consider the possibility of the company having to settle any liability under the terms of the debenture or guarantee to be remote, and no provision is required. The maximum exposure to the company is £24,750,000 (2021 - £15,167,260)

28. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,680,732 (2021 - £778,911). Contributions totalling £135,281 (2021 - £116,589) were payable to the fund at the reporting date and are included in creditors.

Onnec Group Limited

Notes to the Financial Statements For the year ended 31 December 2022

29. Commitments under operating leases

At 31 December 2022 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £
Not later than 1 year	790,112	305,528
Later than 1 year and not later than 5 years	1,732,803	1,641,392
Later than 5 years	331,374	-
	<u>2,854,289</u>	<u>1,946,920</u>

The Company had no commitments under non-cancellable operating leases at the reporting date.

30. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

During the period the company paid £587,043 (2021 - £477,458) in respect of consultancy fees and expenses to Bridgehill Partners Limited, a company of which J Moeller Jensen Esq and B J Horgan Esq are directors. These fees are included in aggregate directors emoluments but have not been apportioned to the highest paid director disclosure given in note 7 on the grounds it is impractical to make such allocation.

The company has advanced loans to its directors and non controlling shareholders. The amount outstanding is disclosed in note 15 and accrues interest at 2.5% per annum.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total expense in relation to key management personnel for services provided to the group during the year to 31 December 2022 was £211,497 (2021 - £239,666) including the share option charge described under note 23.

In the opinion of the directors, there is no single ultimate controlling party.

31. Subsequent events

There have been no significant events affecting the company and the group since the year end.