Registered number: 01938625

INTERCITY TECHNOLOGY LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Company Information

DIRECTORS	A R Jackson A M Jackson A O Jackson C D Sharp (appointed 1 July 2022)
COMPANY SECRETARY	A M Jackson
REGISTERED NUMBER	01938625
REGISTERED OFFICE	101-114 Holloway Head Birmingham B1 1QP
INDEPENDENT AUDITORS	Grant Thornton UK LLP 17th Floor 103 Colmore Row Birmingham West Midlands B3 3AG

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Group Strategic Report
For the Year Ended 31 December 2022

The directors present their Strategic Report on the Group for the year ended 31 December 2022.

INTRODUCTION AND BUSINESS REVIEW

Intercity Technology is a leading Technology Services Provider, delivering IT managed services, incorporating IT infrastructure, cloud services, security, hosting and IT professional services, mobility solutions, and unified communications. With particular expertise of delivering award-winning levels of customer service to a range of public and private sector clients by a team providing 'eyes on' national coverage 24 hours a day, 365 days a year. Our goal is to help our customers to make the right technology decisions for their business and implementing technology solutions that fit their specific requirements to enable them to Do More.

2022 was a fantastic year for Intercity, with all key strategic objectives being met which underpin our vision as being the best technology partner to work for and with. Our financial budget was exceeded, alongside enhancements to our world class customer Net Promoter Score (NPS), sector leading colleague engagement and platinum level sustainability. Our customers, partners and colleagues epitomise the personality and values of the business and it is their amazing efforts which underpin our fantastic performance.

Overall Group revenues have increased by 21% to £35.3m, with a 9.2% organic increase in recurring revenues excluding acquisitions. Our decision to invest in growth has also led to an 11% improvement in new business sales performance year on year. Gross margin has been maintained despite macro economic inflationary cost pressures and has marginally increased from 40.2% in 2021 to 40.3% in 2022 as a result of the focus on recurring revenues. Gross profit from recurring revenues now represents 85% of overall gross profit, which provides a fantastic trajectory for growth in line with our integrated business plan. EBITDA before exceptional items has increased from £1.52m in 2021 to £2.37m in 2022, which represents an increase of 56% year on year and performance that was ahead of budget.

On 1 June 2022, we successfully acquired 100% of the share capital of Chandler Communications Limited, strengthening our already growing Communications division. We are continually looking to grow the business, both organically and through further acquisitions, and are committed to investing in business development and product innovations to support this, with wider Group support being available to fund this as required.

The current economic climate poses many challenges for the business, our colleagues, customers, and partners. We have offered various levels of support, including a cost of living bonus to our colleagues alongside above average pay reviews weighted towards lower earners. We are pleased that the diversification and exceptional financial strength of the business means we are extremely well placed to grow through this challenging period and beyond. This is characterised by strong underlying fundamentals of the Group, with a strong Balance Sheet (Net Assets of £7.1m vs £5.3m in 2021) and sound operating cash flows (£2.5m for the year).

Our colleagues epitomise the personality and values of the business and it is their amazing efforts during a difficult period which underpin our fantastic customer service, which is at the heart of everything we do. We are delighted to be recognised as the Number 1 Telecoms business to work for and in the top 25 best mid-sized businesses in the UK. Our NPS score continues to improve to +83 which is sector leading and underpins our focus on the importance of customer satisfaction.

We believe that we are perfectly placed to drive our People-First Technology, which empowers people to work together, work anywhere and work securely through technology solutions that help businesses Do More. Our Communications division continues to evolve, providing customers with a bespoke approach to the challenges a hybrid world brings. We've continued to take businesses on the journey to the Cloud and recognise the move many are taking to outsource IT services, working collaboratively to ensure this is delivered effectively.

Group Strategic Report (continued)
For the Year Ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The IT and technology market remains competitive, therefore the Group seeks to mitigate the risk of losing customers to competitors by supplying best-in-breed products and services, underpinned by our award-winning customer service wrap.

The Group's principal financial instruments comprise short term deposits and equity investments, bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the Group's operations.

The Group's activities mean that it is exposed to a limited number of financial risks:

Credit risk
The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by stringent credit check procedures that assess exposure on each deal prior to accepting and processing any orders. The Group also regularly monitors amounts outstanding for both time and credit limits. The amounts presented in the Balance Sheet are net of allowances for doubtful debtors.

Liquidity risk
Liquidity risk is managed by maintaining a suitable level of funds to support working capital requirements. All of the Group's cash balances are held in such a way that achieves a competitive rate of interest and the business makes use of any deposits and other investment facilities where funds are available.

Regulatory risk
Pricing of products and services can be affected by regulatory bodies in the UK and the EU leading to a reduction in revenue and/or gross profit. The Group is able to mitigate the risk through its own buying and pricing policies, careful and detailed research on future regulations and collaborative communication with our network partners.

FINANCIAL KEY PERFORMANCE INDICATORS

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Group as a whole, these being turnover and profit margins which are outlined above and on page 10.

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

A O Jackson
Director

Date: 27 September 2023

Directors' Report
For the Year Ended 31 December 2022

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2022.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

In preparing these audited financial statements of the Group and Company, the Directors are required to:

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

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

RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £1,463,*000(2021 - £1,251,000).*

The Directors do not recommend or have paid a dividend during the year (*2021 - £Nil*).

DIRECTORS

The Directors who served during the year were:

A R Jackson
A M Jackson
A O Jackson
C D Sharp (appointed 1 July 2022)

ENVIRONMENTAL MATTERS

The Group appreciates the importance of understanding and effectively managing the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. Where possible, we source environmentally friendly products and services. During the period, the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

We were delighted to recently receive platinum status with Eco Vadis putting us within the top 1% of UK businesses which underlines the importance of our Environmental, Social and Governance (ESG) strategy and our target to becoming a net zero organisation.

FUTURE DEVELOPMENTS

There are no future developments to report.

COLLEAGUES

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

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

The Group is committed to the principle of equality of opportunity in employment and seeks to ensure that no colleague or applicant is treated less favourably on the grounds of age, disability, gender, gender reassignment, pregnancy, maternity, race, sexual orientation, religion or belief, or because they are married or in a civil partnership or are disadvantaged by conditions or requirements which cannot be objectively justified.

The Group strives to create an enjoyable, challenging and progressive colleague experience where a healthy work/life balance and general well-being is encouraged and supported by a flexible reward and benefits package. All of this is epitomised by our Best Companies 3 Star accreditation which ranks us as the number 1 telecoms company to work for in the UK.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the year ended 31 December 2022 and at the date of this report, the Company has made an indemnity for the benefit of A R Jackson, A M Jackson, C D Sharp and A O Jackson which is a qualifying indemnity provision for the purposes of Section 234 of the Companies Act 2006.

MATTERS COVERED IN THE STRATEGIC REPORT

The strategic report contains details relating to principal activities and business review.

The Company's exposure to financial risks are described in the Strategic report on page 1.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors confirm that:

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

POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

INDEPENDENT AUDITORS

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

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

A O Jackson
Director

Date: 27 September 2023

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

Opinion

We have audited the financial statements of Intercity Technology Limited for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Balance Sheet, the Consolidated and the Company Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.

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

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

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

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

Other information

The other information comprises the information included in the annual report[1], other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the group and the parent company operates;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the group and the parent company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations; and
  - the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquires to relevant supporting documentation.
- We assessed the susceptibility of the group and the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the legal and regulatory requirements specific to the group and the parent company including:
    - the provisions of the applicable legislation;

- the regulator's rules and related guidance, including guidance issued by the relevant authorities that interprets those rules;
- the applicable statutory provisions.

- We did not identify any matters in relating to non-compliance with laws and regulations or fraud.

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

Use of our report

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

Grant Thornton UK LLP

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date: 27 September 2023

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	**35,306**	*29,293*
Cost of sales		**(21,079)**	*(17,514)*
GROSS PROFIT		**14,227**	*11,779*
Administrative expenses		**(11,863)**	*(10,263)*
EBITDA		**2,364**	*1,516*
Exceptional Colleague Costs		**(400)**	-
Amortisation and Depreciation		**(1,154)**	*(865)*
OPERATING PROFIT	5	**810**	*651*
Return on Investments		-	*157*
Interest receivable and similar income	9	**160**	*25*
Interest payable and expenses	10	-	*(20)*
PROFIT BEFORE TAXATION		**970**	*813*
Tax on profit	11	**493**	*438*
PROFIT FOR THE FINANCIAL YEAR		**1,463**	*1,251*

Profit for the year attributable to:		
Owners of the parent Company	**1,463**	*1,251*
	1,463	*1,251*

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 39 form part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2022

	Note		2022 £000		2021 £000
FIXED ASSETS					
Intangible assets	12		**3,051**		*770*
Tangible assets	13		**2,286**		*2,452*
			5,337		*3,222*
CURRENT ASSETS					
Stocks	15	**192**		*135*	
Debtors: amounts falling due within one year	16	**12,524**		*11,062*	
Cash at bank and in hand	17	**12,490**		*13,091*	
		25,206		*24,288*	
Creditors: amounts falling due within one year	18	**(23,426)**		*(22,256)*	
NET CURRENT ASSETS			**1,780**		*2,032*
TOTAL ASSETS LESS CURRENT LIABILITIES			**7,117**		*5,254*
PROVISIONS FOR LIABILITIES					
NET ASSETS			**7,117**		*5,254*
CAPITAL AND RESERVES					
Called up share capital	21		**10**		*10*
Share option reserve	22		**400**		*-*
Profit and loss account	22		**6,707**		*5,244*
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			**7,117**		*5,254*

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

A O Jackson
Director
Date: 27 September 2023

The notes on pages 17 to 39 form part of these financial statements.

INTERCITY TECHNOLOGY LIMITED
Registered number: 01938625

Company Balance Sheet
As at 31 December 2022

	Note		2022 £000		2021 £000
FIXED ASSETS					
Intangible assets	12		7,708		10,184
Tangible assets	13		2,321		2,454
Fixed Asset Investments	14		5,674		-
			15,703		12,638
CURRENT ASSETS					
Stocks	15	192		135	
Debtors: amounts falling due within one year	16	12,495		11,995	
Cash at bank and in hand	17	11,480		13,091	
		24,167		25,221	
Creditors: amounts falling due within one year	18	(27,951)		(25,443)	
NET CURRENT LIABILITIES			(3,784)		(222)
TOTAL ASSETS LESS CURRENT LIABILITIES			11,919		12,416
NET ASSETS			11,919		12,416
CAPITAL AND RESERVES					
Called up share capital	21		10		10
Share option reserve	22		400		-
Profit and loss account	22		11,509		12,406
			11,919		12,416

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

A O Jackson
Director
Date: 27 September 2023

The notes on pages 17 to 39 form part of these financial statements.

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

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

The notes on pages 17 to 39 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2021

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company
	£000	£000	£000
At 1 January 2021	10	3,993	4,003
COMPREHENSIVE EXPENSE FOR THE YEAR			
Profit for the year	-	1,251	1,251
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	-	-	-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	-	1,251	1,251
Total transactions with owners	-	-	-
At 31 December 2021	10	5,244	5,254

The notes on pages 17 to 39 form part of these financial statements.

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

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	10	-	13,510	13,520
Comprehensive income for the year				
Loss for the year	-	-	(1,104)	(1,104)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(1,104)	(1,104)
Total transactions with owners	-	-	-	-
At 1 January 2022	10	-	12,406	12,416
Comprehensive income for the year				
Loss for the year	-	-	(897)	(897)
Share option reserve movement	-	400	-	400
Other comprehensive income for the year	-	400	-	400
Total comprehensive income for the year	-	400	(897)	(497)
Total transactions with owners	-	-	-	-
At 31 December 2022	10	400	11,509	11,919

The notes on pages 17 to 39 form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022

	2022 £000	*2021* *£000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for year	**1,463**	*1,251*
ADJUSTMENTS FOR:		
Amortisation of intangible assets	**637**	*342*
Depreciation of tangible assets	**518**	*524*
Interest paid	**-**	*21*
Interest received	**(160)**	*(25)*
Taxation charge	**(493)**	*(438)*
(Increase) in stocks	**(57)**	*(80)*
(Increase) in debtors	**(892)**	*(792)*
(Increase) in amounts owed by groups	**-**	*(6,555)*
Increase in creditors	**1,455**	*627*
Corporation tax received	**40**	*33*
Profit on disposal of investments	**-**	*153*
NET CASH GENERATED/(UTILISED) FROM OPERATING ACTIVITIES	**2,511**	*(4,939)*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	**(2,918)**	*(192)*
Purchase of tangible fixed assets	**(352)**	*(183)*
Net movement in investments	**-**	*(154)*
Interest received	**160**	*25*
NET CASH USED IN INVESTING ACTIVITIES	**(3,112)**	*(504)*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**-**	*(21)*
NET CASH USED IN FINANCING ACTIVITIES	**-**	*(21)*
(DECREASE) I N CASH AND CASH EQUIVALENTS	**(601)**	*(5,464)*
Cash and cash equivalents at beginning of year	**13,091**	*18,555*
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**12,490**	*13,091*
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	**12,490**	*13,091*
	12,490	*13,091*

The notes on pages 17 to 39 form part of these financial statements.

Consolidated Analysis of Net Debt
For the Year Ended 31 December 2022

	At 1 January 2022 £000	Cash flows £000	At 31 December 2022 £000
Cash at bank and in hand	**13,091**	**(601)**	**12,490**
	13,091	**(601)**	**12,490**

The notes on pages 17 to 39 form part of these financial statements.

1. GENERAL INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The group and individual financial statements of Intercity Technology Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group and Company's accounting policies. The areas involving judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

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

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

2.4 REVENUE

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

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

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

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

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

2.5 INTEREST INCOME

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6 COLLEAGUE BENEFITS

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

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

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

2.7 PENSIONS

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.8 RESEARCH AND DEVELOPMENT

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.9 CURRENT AND DEFERRED TAXATION

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

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

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

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

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

2.10 FINANCE COSTS

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

2.11 EXCEPTIONAL ITEMS

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

2. ACCOUNTING POLICIES (CONTINUED)

2.12 INTANGIBLE ASSETS

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

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

Amortisation is provided on the following bases:

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

Goodwill

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

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

Customer contracts and relationships

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

Intellectual property

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

2.13 TANGIBLE FIXED ASSETS

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

2. ACCOUNTING POLICIES (CONTINUED)

2.13 TANGIBLE FIXED ASSETS (continued)

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

Depreciation is provided on the following basis:

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

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

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

2.14 VALUATION OF INVESTMENTS

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

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

2.15 STOCKS

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

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

2.16 DEBTORS

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

2.17 CASH AND CASH EQUIVALENTS

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

2.18 FINANCIAL INSTRUMENTS

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

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

2.19 CREDITORS

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

2.20 PROVISIONS FOR LIABILITIES

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

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.21 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.22 OPERATING LEASES: THE GROUP AS LESSEE

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

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

2.23 DIVIDENDS

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

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

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

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

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

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

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

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

Share based payments - the business has recognised a share based payment charge for the estimation of the fair value of share options and this can be seen in note 22 within "other reserves". This assessment relies on a series of assumptions, applied to a valuation model which inherently contains a degree of estimation uncertainty.

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

4. TURNOVER

	2022 £000	2021 £000
Provision of Services	**35,306**	*29,293*
	35,306	*29,293*

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	**35,306**	*29,293*
	35,306	*29,293*

5. OPERATING PROFIT

The operating profit is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	**518**	*524*
Amortisation of intangible assets, including goodwill	**637**	*342*
Other operating lease rentals	**234**	*232*
Exchange differences	**10**	*8*

6. AUDITORS' REMUNERATION

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

	2022 £000	2021 £000
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	**55**	*50*

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

7. COLLEAGUES

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

	Group 2022 £000	*Group 2021 £000*	**Company 2022 £000**	*Company 2021 £000*
Wages and salaries	**10,293**	*8,348*	**10,218**	*8,348*
Social security costs	**939**	*877*	**936**	*877*
Cost of defined contribution scheme	**243**	*231*	**241**	*231*
	11,475	*9,456*	**11,395**	*9,456*

Included in Wages & Salaries costs are £400,000 (2021 - £Nil) relating to the in year cost of the expected liability from an EMI scheme (see note 22).

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

	2022 No.	*2021 No.*
Sales and marketing	**40**	*40*
Customer service	**45**	*45*
Service and installation	**56**	*49*
Office and management	**48**	*47*
	189	*181*

8. DIRECTORS' REMUNERATION

	2022 £000	*2021 £000*
Directors' emoluments	**431**	*331*
	431	*331*

During the year retirement benefits were accruing to 1 Director *(2021 - NIL)* in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £302,000 *(2021 - £234,000)*.

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL *(2021 - £NIL)*.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	*2021 £000*
Bank interest receivable and investment returns	**160**	*25*
	160	*25*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	*2021 £000*
Interest payable on loans with connected companies	**-**	*20*
	-	*20*

11. TAXATION

	2022 £000	*2021 £000*
CORPORATION TAX		
Current tax on profits for the year	**75**	-
Adjustments in respect of previous periods	**87**	-
	162	-
TOTAL CURRENT TAX	**162**	-
DEFERRED TAX		
Origination and reversal of timing differences	**(137)**	*(111)*
Changes to tax rates	**(518)**	*(327)*
TOTAL DEFERRED TAX	**(655)**	*(438)*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**(493)**	*(438)*

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2021 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2021 - 19.00%)*. The differences are explained below:

	2022 £000	*2021 £000*
Profit on ordinary activities before tax	**970**	*813*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	**184**	*154*
EFFECTS OF:		
Expenses not deductible for tax purposes	**5**	*5*
Capital allowances for year in excess of depreciation	**42**	*49*
Remeasurement of deferred tax for changes in tax rates	**(517)**	*(478)*
Adjustments to tax charge in respect of prior periods	**(207)**	*(168)*
TOTAL TAX CHARGE FOR THE YEAR	**(493)**	*(438)*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

12. INTANGIBLE ASSETS

Group

	Intellectual Property £000	Customer Contracts £000	Computer software £000	Goodwill £000	Total £000
Cost					
At 1 January 2022	-	-	2,437	-	2,437
Additions	2,358	264	196	100	2,918
At 31 December 2022	2,358	264	2,633	100	5,355
Amortisation					
At 1 January 2022	-	-	1,667	-	1,667
Charge for the year on owned assets	275	31	319	12	637
At 31 December 2022	275	31	1,986	12	2,304
Net book value					
At 31 December 2022	2,083	233	647	88	3,051
At 31 December 2021	*-*	*-*	*770*	*-*	*770*

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

12. INTANGIBLE ASSETS (CONTINUED)

Company

	Computer software £000	Goodwill £000	Total £000
Cost			
At 1 January 2022	2,294	11,766	14,060
Additions	196	-	196
At 31 December 2022	2,490	11,766	14,256
Amortisation			
At 1 January 2022	1,523	2,353	3,876
Charge for the year	319	2,353	2,672
At 31 December 2022	1,842	4,706	6,548
Net book value			
At 31 December 2022	648	7,060	7,708
At 31 December 2021	*771*	*9,413*	*10,184*

13. TANGIBLE FIXED ASSETS

Group

	Freehold property £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
COST				
At 1 January 2022	**1,622**	**340**	**2,673**	**4,635**
Additions	**-**	**111**	**241**	**352**
Disposals	**-**	**(340)**	**-**	**(340)**
At 31 December 2022	**1,622**	**111**	**2,914**	**4,647**
Depreciation				
At 1 January 2022	**624**	**338**	**1,221**	**2,183**
Charge for the year on owned assets	**35**	**2**	**481**	**518**
Disposals	**-**	**(340)**	**-**	**(340)**
At 31 December 2022	**659**	**-**	**1,702**	**2,361**
Net book value				
At 31 December 2022	**963**	**111**	**1,212**	**2,286**
At 31 December 2021	*998*	*2*	*1,452*	*2,452*

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

13. TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Freehold property £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
COST				
At 1 January 2022	**1,622**	**340**	**3,466**	**5,428**
Additions	**-**	**111**	**241**	**352**
Disposals	**-**	**(340)**	**-**	**(340)**
At 31 December 2022	**1,622**	**111**	**3,707**	**5,440**
Depreciation				
At 1 January 2022	**624**	**339**	**2,011**	**2,974**
Charge for the year on owned assets	**35**	**1**	**449**	**485**
Disposals	**-**	**(340)**	**-**	**(340)**
At 31 December 2022	**659**	**-**	**2,460**	**3,119**
Net book value				
At 31 December 2022	**963**	**111**	**1,247**	**2,321**
At 31 December 2021	*998*	*1*	*1,455*	*2,454*

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

14. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £000
COST	
Additions	**5,674**
At 31 December 2022	**5,674**
Net book value	
At 31 December 2022	**5,674**
At 31 December 2021	*-*

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

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

15. STOCKS

	Group 2022 £000	*Group 2021 £000*	Company 2022 £000	*Company 2021 £000*
Finished goods and goods for resale	**192**	*135*	**192**	*135*
	192	*135*	**192**	*135*

Stocks are stated after provisions for impairment of £35,000 (2021 - £35,000) for the Group and Company.

Stock recognised in cost of sales during the year as an expense was £3,602,000 (2021 - £3,388,000) for the Group and Company.

16. DEBTORS

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade debtors	3,349	2,750	2,840	2,750
Amounts owed by group undertakings	-	-	934	934
Amounts owed by connected companies	13	13	13	13
Other debtors	155	84	83	84
Prepayments and accrued income	6,881	6,656	6,499	6,655
Corporation tax recoverable	-	87	-	87
Deferred taxation	2,126	1,472	2,126	1,472
	12,524	11,062	12,495	11,995

Trade debtors are stated after provision for impairment of £123,000 (2021 - £115,000) for the Group and £123,000 (2021 - £115,000) for the Company.

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

17. CASH AND CASH EQUIVALENTS

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Cash at bank and in hand	12,490	13,091	11,480	13,091
	12,490	13,091	11,480	13,091

18. CREDITORS: Amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade creditors	**3,045**	*3,334*	**2,938**	*3,334*
Amounts owed to ultimate parent company	**12,262**	*12,262*	**17,473**	*15,448*
Amounts owed to connected companies	**17**	*17*	**17**	*17*
Corporation tax	**115**	-	-	-
Other taxation and social security	**1,357**	*1,115*	**1,216**	*1,115*
Other creditors	**3,053**	*3,180*	**3,053**	*3,180*
Accruals and deferred income	**3,577**	*2,348*	**3,254**	*2,349*
	23,426	*22,256*	**27,951**	*25,443*

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

19. FINANCIAL INSTRUMENTS

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	**2,895**	*2,848*	**3,250**	*2,848*
Cash and cash equivalents	**12,490**	*13,091*	**11,480**	*13,091*
	15,385	*15,939*	**14,730**	*15,939*
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	**(21,335)**	*(21,142)*	**(26,116)**	*(21,142)*

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

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

20. DEFERRED TAXATION

Group

	2022 £000	2021 £000
At beginning of year	1,472	1,034
Charged to the profit or loss	654	438
At end of year	**2,126**	1,472

Company

	2022 £000	2021 £000
At beginning of year	1,472	74
Credited to the statement of comprehensive income	654	438
Intergroup Transfers	-	960
At end of year	**2,126**	1,472

The deferred tax asset is made up as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Accelerated capital allowances	(328)	(311)	(328)	(311)
Tax losses carried forward	2,509	1,865	2,509	1,865
Short term timing differences	(55)	(82)	(55)	(82)
	2,126	1,472	2,126	1,472

21. CALLED UP SHARE CAPITAL

	2022 £000	*2021 £000*
Allotted, called up and fully paid		
10,000 *(2021 - 10,000)* Ordinary shares of £1.00 each	**10**	*10*
	10	*10*

Ordinary shares entitle the holders to cast one vote per share.

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

Ordinary shares are not redeemable.

22. RESERVES

Profit and loss account

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

Share option reserve

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

Options vest at the earlier of;

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

Details of the options issues under the approved scheme are as follows:

	Number	Weighted average exercise price
Granted during the year	*842,292*	*0.40p*

The share-based payment charge recognised in these accounts totalled £400,000 (2021 - £Nil).

23. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £243,000 (2021 – £231,000).

There were outstanding contributions at the end of the financial year of £Nil (2021 - £1,000).

24. 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 £000	*Group 2021 £000*
Not later than 1 year	**136**	*151*
Later than 1 year and not later than 5 years	**283**	*422*
	419	*573*

25. RELATED PARTY TRANSACTIONS

	2022 £000	*2021 £000*
Transactions with Connected Companies		
Interest Payable	-	*(20)*
Balances due from Connected Companies		
GuidingLight Investments Limited	**13**	*13*
	13	*13*
Balances due to Connected Companies		
GuidingLight Finance Limited	**17**	*17*
	17	*17*

Balances due to and from connected companies represent trading accounts, which are non-interest bearing (see notes 16 and 18) and loan financing which are unsecured and interest bearing (see note 22).

26. ACQUISITION

On 1 June 2022, Intercity Technology Limited purchased 100% of the share capital of Chandler Communications Limited. Chandler Communications Limited is a communications reseller.

Consideration for the transaction totalled £2,858,000 excluding the purchase of cash balances.

On acquisition, a value of £2,722,000 was associated in relation to Customer Contracts, Brand Intellectual Property and Goodwill which is deemed to have a useful economic life of at least 5 years (see note 12).

Consideration in relation to the acquisition includes £150,000 based on performance criteria which has been met post year end.

The remaining value on acquisition was assets of £871,000 and liabilities of £735,000.

Following the acquisition, included within the group consolidated accounts is 7 months of trade representing revenue of £1,291,000 and profit after tax of £325,000.

27. CONTROLLING PARTY

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