

Onnec Group UK Limited

Annual Report and Financial Statements

Period Ended

30 December 2023

Company Number 02027207

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Onnec Group UK Limited

Company Information

Directors	J Moeller-Jensen B Horgan P Huinck
Registered number	02027207
Registered office	Second Floor Farringdon Point 33 Farringdon Road London EC1M 3JF
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Onnec Group UK Limited

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Onnec Group UK Limited

Strategic Report For the Period Ended 30 December 2023

The directors present their strategic report together with the audited financial statements for the period ended 30 December 2023 (the comparatives are for the year ended 31 December 2022).

Business review

Onnec is a leading independent technology partner and global integrator, with over 30 years' experience, and an 800+ team of global experts, specialising in providing end-to-end connectivity solutions that propel organisations everywhere. From structured cabling to managed services, our end-to-end services give our clients a complete solution for business connectivity. We install the data infrastructure (fibre and copper cabling) in the data centre and office environment for the leading global technology and Financial Services companies. Our long standing relationships across our blue-chip customers are based on a strong reputation for operational excellence. Increasing revenues with our technology customers (hyperscalers) is underpinned by strong growth in data centres driven by the increase in usage of AI, IoT, smart applications and mobile data while our financial services clients continue to invest in technology and high-speed networks.

Period ended December 2023:

Onnec's strategic vision is to be the progressive local partner that consistently delivers excellence in connected environments across the globe. Implementing this vision resulted in 2023 being a transitional period for the Onnec Group as it positioned itself for meeting the growth requirements of its key customers in the data centre and financial services arena through continued expansion of its international footprint and focusing on its key service offerings. Part of this transition has been the expansion of the senior management team with the appointment of Philippe Huinck as Group CEO in June 2023.

While pursuing this strategic vision the group experienced challenging trading conditions in the period to 30 December 2023. Strong macro-economic headwinds caused by high inflation levels in the mature UK market led to customers postponing discretionary spend which directly impacted turnover and resulted in several bad debts totalling almost £0.5m as several general contractors went into administration. However, our strategy of growing our international capability meant the majority of this impact was offset by growth in these international locations where the group has more recently established its presence.

Bookings of new jobs secured by the UK-based Sales team for the first four months of the period were below target levels. While they returned to normal monthly levels later in the period, they did not recover sufficiently to fully compensate. This resulted in turnover in the UK business falling 14% on the prior year.

Due to less variable elements of cost of sales, the decline in turnover also led to a reduction in gross profit margin – 2023 18.48% against 2022 19.45%.

As part of our strategy of focusing on our core service offerings, the group conducted a review of the assets held on Balance Sheet at period end. This review resulted in a decision to impair in full the development costs capitalised in relation to Onnec iQ in the UK business. This led to an impairment charge of £2.2m being recognised within non-recurring expenses.

Finally, an increase in the Bank of England base rate led to a higher interest expense in the period (£0.6m compared with £0.1m in 2022).

Owing to the combination of these factors, the company recognised a loss after tax of £2,557,281 in the period (2022 profit after tax of £2,334,813).

The company's cash balance on 30 December 2023 was £357,085 compared to £413,324 on 31 December 2022.

8 Months to August 2024:

Trading conditions during 2024 have improved substantially compared with 2023. Bookings have exceeded target by 19% in the UK.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Business review (continued)

Strategic initiatives were launched in 2023 to focus both on boosting the gross profit margin of the group and on rationalising organisational cost. While these initiatives commenced during 2023, their benefit has been seen more in 2024. In the period to August 2024, gross profit margin has increased to 18.16% (against prior period margin of 18.48% in 2023)

As detailed in note 27 and note 28, the group entered a revised agreement in respect of its bank loan facility in 2022 which is secured over the assets of the company. Subsequent to the 2023 period end, owing to the macro-economic headwinds during 2023, the covenant thresholds on this facility were breached. The group's long term loan facilities and working capital facilities have since been renegotiated successfully on 5 December 2024 resulting in an increase in the amount of working capital facilities available to the company.

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 and the company is expected to perform a pivotal role in delivering against the group's long term objective.

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 period ended 30 December 2023.

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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Business model (continued)

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 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 £77,824,683 in the period to 30 December 2023 compared to £90,718,664 in the year to 31 December 2022.

The period to 30 December 2023 saw gross profit from continuing operations at £14,381,243 at 18.48% compared to £17,642,699 in the year to 31 December 2022 at 19.45%.

Adjusted EBITDA (operating profit adding back depreciation, amortisation and non-recurring expenses) for the financial period was earnings of £1,055,709 (2022 - £4,157,415).

There was a trading loss for the financial period before taxation of £3,114,009 (2022 - trading profit of £2,842,806).

Net assets of the company at the period end were £19,136,657 (2022 - £21,693,938). The decrease is attributable to the loss in the period.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

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 loss indicate the volume of work we have done and its profitability. KPI's for the period ended 30 December 2023 are shown in the table below, along with prior year's comparatives for continued operations as follows:

	2023	2022
	£	£
Turnover	77,824,683	90,718,664
Gross profit	14,381,243	17,642,699
Gross margin (%)	18.48	19.45
Adjusted EBITDA	1,055,709	4,157,415
Trading (loss)/profit	(3,114,009)	2,842,806

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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

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; and
- Regularly estimate and monitor our market share and track the performance of our competitors.

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; and
- 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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Financial risk management objective and policies

The company 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 company's operations. The existence of these financial instruments exposes the company 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, inflationary 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 company 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 company 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 company is not exposed to significant commodity price risk.

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 company 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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Financial risk management objective and policies (continued)

Inflationary risk

The price at which the company sells its services is built up from the costs expected to be incurred in delivering those services. Inflationary risk to the company 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 company's cost of sales and typically the group's global customers have global price agreements with their preferred manufacturers. The company is therefore insulated from any inflationary increases in these instances. In circumstances where no price agreements are in place the company obtains refreshed cost quotations from suppliers at the stage where the company bids for work to be carried out for customers. In this way, the company 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 2023 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.

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 the group of Onnec Group UK 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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Streamlined energy and carbon reporting (SECR) (continued)

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 2023 against 2020).

Energy Consumption		2023	2022	2020	Variance
Scope 1: Combustion of fuel and operation of facilities.	Natural Gas (kWh)	0	0	0	
	Direct Transport Company Cars (kWh)	687,870	582,049	413,911	66%
	Total Scope 1 Energy (kWh)	687,870	582,049	413,911	66%
Scope 2: Electricity purchased.	Total Electricity (kWh)	80,488	86,070	75,842	6.1%
Scope 3 : Indirect Transport	Employee owned Vehicles (kwh)	336,867	392,908	300,102	12%
Total Scope 1,2 and 3 Energy Consumption (kWh)		1,105,225	1,061,027	789,855	40%

Emissions Assessment		2023	2022	2020	Variance
Scope 1: Combustion of fuel and operation of facilities.	Natural Gas (tCO ₂ e)	0	0	0	
	Direct Transport (tCO ₂ e)	164	140	99	65%
	Total Scope 1 tCO₂e	164	140	99	65%
Scope 2: Electricity purchased and heat and steam generated.	Location Based (LB) (tCO ₂ e)	17	17	18	-6%
	Market Based (MB) (tCO ₂ e)	0	0	17	-100%
Scope 3 : Indirect transport	Employee owned Vehicles (tCO ₂ e)	82	97	74	10%
Location Based	Total Scope 1,2 and 3 Emissions (tCO₂e)	263	254	191	37.24%
Market Based	Total Scope 1,2 and 3 Emissions (tCO₂e)	246	237	191	29.00%

Intensity Metric Assessment		2023	2022	2020	Variance
Intensity Ratio 1	Total scope 1,2 & 3 (tCO₂e/£m)	3.40	2.77	2.31	47%
Intensity Ratio 2	Total scope 1,2 & 3 (tCO₂e/m²)	0.16	0.16	0.116	40%

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:

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

Section 172 (1) statement (continued)

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.

Onnec Group UK Limited

Strategic Report (continued) For the Period Ended 30 December 2023

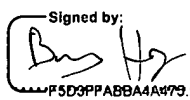
Delegation of authority

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.

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 by:

Signed by:

.....
B Horgan
Director

Date: 12-12-2024

Onnec Group UK Limited

Directors' Report For the Period Ended 30 December 2023

The directors present their report and the audited financial statements for the period from 1 January 2023 to 30 December 2023. The comparative period is for the year from 1 January 2022 to 31 December 2022.

Principal activity

The principal activity of the company during the period 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 - 10 of these financial statements.

Results and dividends

The loss for the period, after taxation, amounted to £2,557,281 (2022 - profit of £2,334,813).

The directors have not declared the payment of a dividend during the period (2022 - £10,000,000).

Directors

The directors who served during the period and up to the date of signing were:

M Salter (resigned 4 July 2023)
J Moeller-Jensen
B Horgan
P Huinck (appointed 10 October 2023)

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

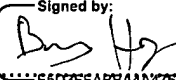
Onnec Group UK Limited

Directors' Report (continued) For the Period Ended 30 December 2023

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 by:

Signed by: 
.....F5D3FFAB8AAA475.....

B Horgan
Director

Date: 12-12-2024

Onnec Group UK Limited

Directors' Responsibilities Statement For the Period Ended 30 December 2023

The directors are responsible for preparing the strategic report, the directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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 company will continue in business.

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

Onnec Group UK Limited

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2023 and of its loss for the period 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.

We have audited the financial statements of Onnec Group UK Limited ("the company") for the period ended 30 December 2023 which comprise the statement of comprehensive income, the statement of financial position, the 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).

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

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 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 UK Limited

Independent Auditor's Report to the Members of Onnec Group UK 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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

Responsibilities of directors

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

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

Onnec Group UK Limited

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

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and
- We considered the significant laws and regulations to be UK GAAP Financial Reporting Standard 102, relevant UK tax and pension legislation and the Companies Act, 2006, etc.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, The Bribery Act 2010, Network and Information Systems Directive 2018 and Data Protection Act, 2018.

Our procedures in respect of the above included:

- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Onnec Group UK Limited

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

Auditor's responsibilities for the audit of the financial statements (continued)

Fraud (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be fraud in revenue recognition and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the period, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias including but not limited to revenue recognition applied to contracts spanning the period end, impairment of intangible assets, estimation of cost of internally generated intangible assets capitalised during the period; and
- Testing a sample of open fixed price revenue contracts which spanned the period end by agreeing to supporting documentation and post period end performance outcome.

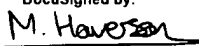
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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

Date: 13 December 2024

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

Onnec Group UK Limited

Statement of Comprehensive Income For the Period Ended 30 December 2023

	Note	Period to 30 December 2023 £	Year to 31 December 2022 £
Turnover	4	77,824,683	90,718,664
Cost of sales		(63,443,440)	(73,075,965)
Gross profit		14,381,243	17,642,699
Administrative expenses		(13,823,360)	(13,783,796)
Non-recurring administrative expenses	5	(3,219,760)	(947,731)
Total administrative expenses		(17,043,120)	(14,731,527)
Operating profit excluding non-recurring expenses		557,883	3,858,903
Total operating (loss)/profit	6	(2,661,877)	2,911,172
Interest receivable and similar income	9	24,642	32,513
Interest payable and similar charges	10	(476,774)	(100,879)
(Loss)/profit before taxation		(3,114,009)	2,842,806
Tax credit/(charge)	11	556,728	(507,993)
(Loss)/profit for the financial period/year		(2,557,281)	2,334,813

All amounts relate to continuing operations.

There was no other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 21 to 40 form part of these financial statements.

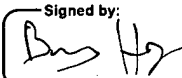
Onnec Group UK Limited

Registered number: 02027207

**Statement of Financial Position
As at 30 December 2023**

	Note	30 December 2023 £	31 December 2022 £
Fixed assets			
Intangible assets	13	384,519	1,094,396
Tangible assets	14	452,578	482,899
		<u>837,097</u>	<u>1,577,295</u>
Current assets			
Stocks	15	265,157	248,800
Debtors: amounts falling due within one year	16	58,983,503	52,603,213
Cash at bank and in hand		357,085	413,324
		<u>59,605,745</u>	<u>53,265,337</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(41,081,709)	(33,113,056)
Net current assets		<u>18,524,036</u>	<u>20,152,281</u>
Total assets less current liabilities		<u>19,361,133</u>	<u>21,729,576</u>
Creditors: amounts falling due after more than one year	18	(144,116)	-
Provisions for liabilities			
Other provisions	20	(80,360)	(35,638)
Net assets		<u><u>19,136,657</u></u>	<u><u>21,693,938</u></u>
Capital and reserves			
Called up share capital	21	900,000	900,000
Capital redemption reserve	22	9,961,958	9,961,958
Profit and loss account	22	8,274,699	10,831,980
		<u><u>19,136,657</u></u>	<u><u>21,693,938</u></u>

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

Signed by:

 F503FF8BBA475...
B Horgan
 Director

Date: 12-12-2024

The notes on pages 21 to 40 form part of these financial statements.

Onnec Group UK Limited

Statement of Changes in Equity For the Period Ended 30 December 2023

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2023	900,000	9,961,958	10,831,980	21,693,938
Comprehensive loss for the period				
Loss for the period	-	-	(2,557,281)	(2,557,281)
At 30 December 2023	900,000	9,961,958	8,274,699	19,136,657

Statement of Changes in Equity For the Period Ended 31 December 2022

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	900,000	9,961,958	18,497,167	29,359,125
Comprehensive income for the year				
Profit for the year	-	-	2,334,813	2,334,813
Dividends: Equity capital	-	-	(10,000,000)	(10,000,000)
At 31 December 2022	900,000	9,961,958	10,831,980	21,693,938

The notes on pages 21 to 40 form part of these financial statements.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

1. General information

Onnec Group UK Limited is a private company limited by shares and 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 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 management to exercise judgement in applying the company's accounting policies (see note 3).

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

The current reporting period is the period from 1 January 2023 to 30 December 2023. The comparative period is for the year from 1 January 2022 to 31 December 2022.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Onnec Group Limited as at 30 December 2023 and these financial statements may be obtained from Second Floor, Farringdon Point, 33 Farringdon Road, London, England, EC1M 3JF.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.3 Going concern

The 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 30 December 2023 the company had total borrowings including its invoice discounting facility of £3.7m, with cash of £0.3m. The group 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 30 December 2023.

Subsequent to the 2023 period end, owing to the macro-economic headwinds during 2023, the covenant thresholds on the facility were breached. The group's long term loan facilities and working capital facilities have since been renegotiated successfully resulting in an increase in the amount of working capital facilities.

As part of the renegotiation and in assessing its ability to continue as a going concern the company have considered a number of scenarios and liquidity positions. The cash flow forecasts assessed the ability of the company 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.

2.4 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 statement of comprehensive income.

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

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

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

Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims made by the company are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity. Contracts that experience losses are fully recognised as soon as those losses are foreseen.

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income 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.

2.7 Interest income

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

2.8 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 are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when 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 company in independently administered funds.

2.11 Non-recurring administrative expenses

Non-recurring expenses are transactions that fall within the ordinary activities of the company but are presented separately due to their size or infrequency.

Non-recurring expenses are separately identified because of their nature and because they can include non-cash and non-trading related items. In the opinion of the directors, these costs are required to be separately identified, to enable a full understanding of the company's underlying financial performance.

2.12 Intangible assets

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 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.

Other intangibles

Software assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.12 Intangible assets (continued)

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs	- 3 years
Software	- 3 years

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.

Land is not depreciated. Depreciation on other assets 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 bases:

Leasehold improvements	- depreciated over the length remaining on the corresponding improvements lease
Fixtures & fittings	- 5 years
Office equipment	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.14 Impairment of tangible and intangible fixed assets

Assets that are subject to depreciation or amortisation 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 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 fair value less costs to sell and value in use. 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.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, the latter 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 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.

2.16 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 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.

2.18 Cash at bank and in hand

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

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 company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the period that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are offset with the provision carried in the statement of financial position.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.21 Financial instruments

The company 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 and 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 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 company 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 UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

2. Accounting policies (continued)

2.22 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

2.23 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.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

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

- Critical judgements in applying the group's accounting policies

No significant judgements have had to be made in preparing these financial statements.

- Key accounting estimates and assumptions

The company has made key assumptions regarding the useful economic life of tangible fixed assets and this is further described in note 2.13 of the accounting policies.

Intercompany balance recoverability is also subject to judgement and estimation in terms of whether the balances are impaired and if so, by what amount. Any difference in timing of collection of the balance or the amount collected and the carrying amount may impact the value of shareholders' funds in future periods.

Additionally 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 which requires management to estimate percentage and cost completion. Turnover includes expenses to the extent that they are recoverable.

Management also applies estimation when determining provisions from doubtful debts.

4. Turnover

Analysis of turnover by country of destination:

	Period to 30 December 2023 £	Year to 31 December 2022 £
United Kingdom	73,453,680	79,773,877
Rest of Europe	3,565,764	6,192,661
Rest of the world	805,239	4,752,126
	<u>77,824,683</u>	<u>90,718,664</u>

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

5. Non-recurring administrative expenses

	Period to 30 December 2023 £	Year to 31 December 2022 £
Impairment of development costs	2,221,663	-
Transaction related costs	-	335,354
Redundancy costs	692,869	-
Recruitment costs	150,000	-
Rebranding costs	6,405	343,711
Refinance costs	-	13,525
VAT penalty	-	255,141
Dilapidations	41,722	-
Provision for retentions	107,101	-
	<u>3,219,760</u>	<u>947,731</u>

6. Operating (loss)/profit

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

	Period to 30 December 2023 £	Year to 31 December 2022 £
Amortisation of intangible assets	184,225	91,150
Impairment of intangible assets	2,221,663	-
Depreciation of owned tangible fixed assets	313,601	207,362
Exchange differences	182,792	74,139
Other operating lease rentals		
- Motor vehicles	159	940
- Land and buildings	578,268	575,697
Auditor's remuneration	108,768	105,600
	<u></u>	<u></u>

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

7. Employees

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

	Period to 30 December 2023 £	Year to 31 December 2022 £
Wages and salaries	28,382,628	25,950,931
Social security costs	2,962,446	3,093,930
Cost of defined contribution scheme	864,220	810,773
	32,209,294	29,855,634

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

	Period to 30 December 2023 No.	Year to 31 December 2022 No.
Administrative staff	223	115
Sales and distribution staff	246	372
	469	487

8. Directors' remuneration

	Period to 30 December 2023 £	Year to 31 December 2022 £
Directors' emoluments	912,010	983,964
Company contributions to defined contribution pension schemes	15,840	17,405
	927,850	1,001,369

The highest paid director received remuneration of £100,000 (2022 - £196,921).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2022 - £9,405). Contributions were made to 3 (2022 - 3) directors' personal pension arrangements.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

9. Interest receivable and similar income

	Period to 30 December 2023 £	Year to 31 December 2022 £
Other interest receivable	24,642	32,513

10. Interest payable and similar charges

	Period to 30 December 2023 £	Year to 31 December 2022 £
Invoice discounting charges	201,166	100,879
Other interest payable	275,608	-
	476,774	100,879

11. Taxation

	Period to 30 December 2023 £	Year to 31 December 2022 £
Corporation tax		
Current tax on (losses)/profits for the period/year	-	276,290
Adjustments in respect of previous periods	(573,236)	73,228
Total current tax	(573,236)	349,518
Deferred tax		
Origination and reversal of timing differences	(39,593)	74,294
Adjustments in respect of previous periods	56,101	84,181
Total deferred tax	16,508	158,475
Taxation on (loss)/profit on ordinary activities	(556,728)	507,993

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

11. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	Period to 30 December 2023 £	Year to 31 December 2022 £
(Loss)/profit on ordinary activities before tax	(3,114,009)	2,842,806
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	(732,415)	540,133
Effects of:		
Fixed asset differences	(53,741)	(20,336)
Expenses not deductible for tax purposes	6,389	76,059
Adjustments in respect of prior periods	-	73,228
Remeasurement of deferred tax for changes in tax rates	(46,490)	17,831
Adjustments in respect of prior periods - deferred tax	56,101	84,181
Adjustments in respect of prior periods - current tax	(573,236)	-
Non-taxable income	(54,655)	-
Deferred tax not recognised	746,004	-
Other differences leading to an increase in the tax charge	(36,098)	-
Group relief surrendered/(claimed)	131,413	(263,103)
Total tax (credit)/charge for the period/year	(556,728)	507,993

Factors that may affect future tax charges

Deferred tax has been recognised based on the rate of 25%.

12. Dividends

	Period to 30 December 2023 £	Year to 31 December 2022 £
Interim dividends	-	10,000,000

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

13. Intangible assets

	Development costs £	Software £	Total £
Cost			
At 1 January 2023	825,655	442,409	1,268,064
Additions	1,396,008	300,003	1,696,011
At 30 December 2023	2,221,663	742,412	2,964,075
Amortisation			
At 1 January 2023	-	173,668	173,668
Charge for the period	-	184,225	184,225
Impairment charge	2,221,663	-	2,221,663
At 30 December 2023	2,221,663	357,893	2,579,556
Net book value			
At 30 December 2023	-	384,519	384,519
At 31 December 2022	825,655	268,741	1,094,396

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

14. Tangible fixed assets

	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation				
At 1 January 2023	256,280	43,576	510,867	810,723
Additions	144,116	30,816	108,348	283,280
At 30 December 2023	<u>400,396</u>	<u>74,392</u>	<u>619,215</u>	<u>1,094,003</u>
Depreciation				
At 1 January 2023	98,622	34,355	194,847	327,824
Charge for the period	55,785	7,724	250,092	313,601
At 30 December 2023	<u>154,407</u>	<u>42,079</u>	<u>444,939</u>	<u>641,425</u>
Net book value				
At 30 December 2023	<u>245,989</u>	<u>32,313</u>	<u>174,276</u>	<u>452,578</u>
At 31 December 2022	<u>157,658</u>	<u>9,221</u>	<u>316,020</u>	<u>482,899</u>

15. Stocks

	30 December 2023 £	31 December 2022 £
Raw materials and consumables	<u>265,157</u>	<u>248,800</u>

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

16. Debtors

	30 December 2023 £	31 December 2022 £
Trade debtors	11,227,201	18,996,739
Amounts owed by group undertakings	37,865,592	18,234,508
Other debtors	1,016,060	442,343
Directors' loans	971,856	1,178,056
Corporation tax recoverable	68,761	-
Deferred taxation (see note 19)	-	16,508
Prepayments, accrued income and retention money receivable	7,834,033	13,735,059
	58,983,503	52,603,213

The amounts owed by group undertakings are non-interest bearing and repayable on demand. The directors consider the carrying amount of trade and other debtors equals their fair value.

The impairment loss recognised in the statement of comprehensive income for the period in respect of bad and doubtful trade debtors was £496,766 (2022 - £195,043).

17. Creditors: amounts falling due within one year

	30 December 2023 £	31 December 2022 £
Amounts due on invoicing discount facility	3,723,187	4,659,908
Payments received on account	5,209,797	4,617,681
Trade creditors	6,091,622	8,203,393
Amounts owed to group undertakings	18,353,050	6,068,761
Corporation tax	-	1,056,298
Other taxation and social security	3,107,023	2,149,548
Accruals	4,597,030	6,357,467
	41,081,709	33,113,056

The amounts owed to group undertakings are non-interest bearing and repayable on demand. The directors consider the carrying amount of trade and other creditors equals their fair value.

Amounts due under the group's invoice discounting facility are secured by a fixed and floating charge over all assets, including all property, plant and machinery and stock, held by the Company.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

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

	30 December 2023 £	31 December 2022 £
Rent deposit account	144,116	-

19. Deferred taxation

	Period to 30 December 2023 £	Year to 31 December 2022 £
At beginning of period/year	16,508	174,983
Charged to the statement of comprehensive income	(16,508)	(158,475)
At end of period/year	-	16,508

The deferred tax asset is made up as follows:

	30 December 2023 £	31 December 2022 £
Fixed asset timing differences	-	(1,509)
Short term timing differences	-	18,017
	-	16,508

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

20. Provisions

	Repair obligations £
At 1 January 2023	35,638
Charged to the statement of comprehensive income	44,722
At 30 December 2023	80,360

At 30 December 2023 the company 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.

21. Share capital

	30 December 2023 £	31 December 2022 £
Allotted, called up and fully paid		
900,000 ordinary shares of £1 each	900,000	900,000

22. Reserves

The company's capital and reserves are as follows:

Called up share capital

Share capital represents the nominal value of the shares issued.

Profit and loss account

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

Capital redemption reserve

The capital redemption reserve represents capital contributions made by the owners of the company.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

23. Share-based payments

On 8 March 2017 the company's parent, Onnec Group Limited, issued 34,980 share options to certain key employees employed in the company for the commercial purpose of retaining the relevant option holders.

The vesting of the options are 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 ended 30 December 2023 (2022 - £Nil).

24. Pension commitments

The company 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 £864,220 (2022 - £810,773). Contributions totalling £77,412 (2022 - £72,067) were payable to the fund at the reporting date and are included in creditors.

25. Commitments under operating leases

At 30 December 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	30 December 2023 £	31 December 2022 £
Not later than 1 year	456,341	583,923
Later than 1 year and not later than 5 years	801,319	1,109,849
	<u>1,257,660</u>	<u>1,693,772</u>

The company leases a warehouse and motor vehicles under operating leases.

During the period £589,696 (2022 - £575,697) was recognised as an expense in the statement of comprehensive income in respect of property operating leases and £159 (2022 - £940) in respect of motor vehicle operating leases.

Onnec Group UK Limited

Notes to the Financial Statements For the Period Ended 30 December 2023

26. 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 £526,761 (2022 - £587,043) 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.

The company has advanced loans to its directors and non controlling shareholders. The amount outstanding is disclosed in note 16 and accrues interest at 2.5% per annum.

Key management personnel include all directors and a number of senior managers across the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company during the period to 30 December 2023 was £422,675 (2022 - £211,497) including the share option charge described under note 23.

27. Contingent liabilities

Onnec Group Limited, the ultimate parent company of Onnec Group UK Limited, signed a facilities agreement with National Westminster Bank Plc dated 25 May 2018 secured over the assets of the company. During the current period 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 Onnec Group UK Limited. The directors consider the possibility of the group 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, being the value of the facilities is £21,750,000 (2022 - £24,750,000).

28. Post balance sheet events

Subsequent to the 2023 period end, owing to the macro-economic headwinds during 2023, the covenant thresholds on the group's bank loan facility were breached. The group's long term loan facilities and working capital facilities have since been renegotiated successfully resulting in an increase in the amount of working capital facilities available to the company.

29. Ultimate parent and controlling party

There is no single ultimate controlling party. The company is a subsidiary undertaking of Onnec Holdings Limited which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is Onnec Group Limited who acquired the entire shareholding of Comunica Holdings Limited - the sole shareholder of Onnec Group UK Limited - from RedstoneConnect plc in June 2018.

The largest group in which the results of the company are consolidated is that headed by Onnec Group Limited, incorporated in England and Wales. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from Second Floor, Farringdon Point, 33 Farringdon Road, London, England, EC1M 3JF.