

# **IT PROFESSIONAL SERVICES LIMITED**

Annual Report and Financial Statements  
for the Year Ended 31 May 2020

# IT Professional Services Limited

## Contents

Company Information	<u>1</u>
Strategic Report	<u>2</u> to <u>3</u>
Directors' Report	<u>4</u> to <u>5</u>
Statement of Directors' Responsibilities	<u>6</u>
Independent Auditor's Report	<u>7</u> to <u>9</u>
Income Statement	<u>10</u>
Statement of Financial Position	<u>11</u>
Statement of Changes in Equity	<u>12</u>
Notes to the Financial Statements	<u>13</u> to <u>26</u>

# IT Professional Services Limited

## Company Information

<b>Directors</b>	G Sheriff J H Harris A C S Harris P J Hatton
<b>Registered office</b>	Unit 2a & 2b Metrocentre East Business Park Waterside Drive Gateshead Tyne and Wear NE11 9HU
<b>Solicitors</b>	Watson Burton LLP 1 St James Gate Newcastle upon Tyne NE1 4AD
<b>Auditor</b>	Ryecroft Glenton Chartered Accountants & Statutory Auditor 32 Portland Terrace Newcastle upon Tyne NE2 1QP

# IT Professional Services Limited

## Strategic Report for the Year Ended 31 May 2020

The directors present their strategic report for the year ended 31 May 2020.

### Principal activity

The principal activity of the company is the provision of information technology, data centre and communications services.

### Fair review of the business

The year ended 31 May 2020 has seen growth in turnover of 2.02% from 2019. Recurring revenue service sales continue to be the focus of the business with further growth in year of 17.08%.

The market is moving ever closer to consumption based models and ITPS are well placed and prepared for this transition. The business is focussing on growth in 3 core areas: Managed Services, Communications and Data Centre Services.

Gross profit margins have increased by 4.16%, this is due to an increase in recurring sales in the year that attract a higher GP% than other revenue streams.

Operating profit has decreased by 23.14% to 421k for the year from 547k in 2019, and net profit before taxation has decreased by 8.9% to 306k from 336k in 2019.

### Position at the year end

During the year, the company has retained a revolving credit facility with HSBC allowing more flexibility for finance and growth.

The balance sheet shows the company's net assets at the end of the year has increased to £3.14m in 2020 from £3.00m in 2019.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Gross purchase margin	%	50.01	50.04
Gross profit margin	%	24.14	19.98
Net profit margin	%	.71	1.30
Current ratio		1.05	1.04
Asset turnover	x	1.31	1.39
Total assets to total liabilities	x	1.30	1.27
Interest cover	x	3.68	2.59
Accounts receivable days	days	49.00	76.00

# IT Professional Services Limited

## Strategic Report for the Year Ended 31 May 2020 (continued)

### Principal risks and uncertainties

Management continually monitors the key risks facing the company together with assessing the controls used for managing these risks. The board of directors reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the company are as follows:

Economic downturn;

Although the company monitors the turnover and demand of customer sales, which incorporate the company's technologies and services, sales trends can change with the market requirements. The company maintains a close relationship with customers in a manner that provides information for management to enable action to respond to declining sales. The company is very agile and keeps abreast of major customer year end and budgetary requirements.

Competitors and changing technology;

As markets develop a greater need for the company's solutions, the company's expert personnel research and develop new solutions and service combinations to meet the demand. Risk occurs when competitors provide solutions to existing customers. Management of this risk is by providing quality products and services while maintaining strong relationships with customers.

Impact of COVID-19 virus;

The company continues to monitor the ongoing developments and has a business continuity plan in place to ensure we minimise the impact on both our customers and employees. Covid-19 affected the business insofar as we saw downturn in on-site work during lockdown. Customer paused projects meant that we have taken advantage of the government furlough scheme for those staff who were unable to work. We have maintained a full recurring revenue service throughout the period. The business did not need to access CBILS.

### Future developments

The Directors expect profit before taxation and EBITDA to increase in the year to 31 May 2021, however, the business has seen a decline in turnover of c6% due to Covid-19. This decrease has been more than offset by cost savings and efficiencies made in the period.

The company plans to extend further and develop a Microsoft Practice that incorporates Public Azure into our Solution Portfolio, this opens up global opportunities for ITPS, and puts ITPS into an excellent position, being in control and able to deliver, on premise, hybrid cloud, with the ability to integrate hyperscale cloud propositions, all underpinned by our communications and data centre infrastructure.

There have been no significant events since the balance sheet date.

Approved by the Board on 28 May 2021 and signed on its behalf by:

.....

G Sheriff  
Director

# **IT Professional Services Limited**

## **Directors' Report for the Year Ended 31 May 2020**

The directors present their report and the financial statements for the year ended 31 May 2020.

### **Directors of the company**

The directors who held office during the year were as follows:

G Sheriff

M J H Jopling (resigned 3 March 2021)

The following directors were appointed after the year end:

J H Harris (appointed 3 March 2021)

A C S Harris (appointed 3 March 2021)

P J Hatton (appointed 3 March 2021)

### **Financial instruments**

#### ***Objectives and policies***

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity, cash flow and interest rate risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors and bank overdrafts and loans.

#### ***Price risk, credit risk, liquidity risk and cash flow risk***

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs ongoing credit evaluations of its customers' financial condition.

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. This, coupled with the strong cash position of the company is deemed sufficient to minimise the company's exposure to cash flow and liquidity risk.

Interest rate risk re unfavourable movements in interest rates is not perceived as being material to the financial statements due to the borrowing agreements in place.

### **Future developments**

See disclosures within the Strategic Report regarding future developments of the company.

### **Going concern**

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements through cash generated from operations.

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This also considers the effectiveness of available measures to assist in mitigating the impact.

## **IT Professional Services Limited**

### **Directors' Report for the Year Ended 31 May 2020 (continued)**

Although the forecast prepared taking account of the matters above support the ability of the company to remain a going concern and to be able to trade and meet its debts as they fall due, the full impact of COVID-19, the continued level of government support and the underlying trading assumptions used in forecasting are extremely judgemental and difficult to predict and could be subject to significant variation. The directors have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

Based on the factors set out above the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Reappointment of auditor**

Ryecroft Glenton replaced MHA Tait Walker as auditor during the year under review.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ryecroft Glenton as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 28 May 2021 and signed on its behalf by:

.....

G Sheriff

Director

# **IT Professional Services Limited**

## **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.



# **IT Professional Services Limited**

## **Independent Auditor's Report to the Members of IT Professional Services Limited**

### **Opinion**

We have audited the financial statements of IT Professional Services Limited (the 'company') for the year ended 31 May 2020, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 company's affairs as at 31 May 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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.

## **IT Professional Services Limited**

### **Independent Auditor's Report to the Members of IT Professional Services Limited (continued)**

#### **Opinion on other matter 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 Directors' Report for the financial year 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.

#### **Matters on which we are required to report by exception**

In the light of our 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **IT Professional Services Limited**

### **Independent Auditor's Report to the Members of IT Professional Services Limited (continued)**

#### **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.

.....  
Grahame Maughan (Senior Statutory Auditor)

For and on behalf of

Ryecroft Glenton

Chartered Accountants

Statutory Auditor

32 Portland Terrace

Newcastle upon Tyne

NE2 1QP

28 May 2021

# IT Professional Services Limited

## Income Statement for the Year Ended 31 May 2020

	Note	2020 £	2019 £
Turnover	<u>3</u>	20,166,309	19,767,391
Cost of sales		<u>(15,298,987)</u>	<u>(15,818,659)</u>
Gross profit		4,867,322	3,948,732
Administrative expenses		(4,591,054)	(3,418,993)
Other operating income	<u>4</u>	<u>144,268</u>	<u>17,420</u>
Operating profit	<u>5</u>	420,536	547,159
Interest payable and similar expenses	<u>6</u>	<u>(114,201)</u>	<u>(210,915)</u>
Profit before tax		306,335	336,244
Taxation	<u>10</u>	<u>(181,113)</u>	<u>(79,231)</u>
Profit for the financial year		<u><u>125,222</u></u>	<u><u>257,013</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 13 to 26 form an integral part of these financial statements.

# IT Professional Services Limited

(Registration number: 03930001)

## Statement of Financial Position as at 31 May 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	<u>11</u>	2,919,582	3,076,088
<b>Current assets</b>			
Stocks	<u>12</u>	102,950	108,000
Debtors	<u>13</u>	8,616,807	10,885,289
Cash at bank and in hand		<u>2,304,675</u>	<u>140,272</u>
		11,024,432	11,133,561
<b>Creditors:</b> Amounts falling due within one year	<u>14</u>	<u>(10,470,458)</u>	<u>(10,688,875)</u>
<b>Net current assets</b>		<u>553,974</u>	<u>444,686</u>
<b>Total assets less current liabilities</b>		3,473,556	3,520,774
<b>Creditors:</b> Amounts falling due after more than one year	<u>14</u>	(135,541)	(352,532)
<b>Provisions for liabilities</b>	<u>16</u>	<u>(212,974)</u>	<u>(168,423)</u>
<b>Net assets</b>		<u>3,125,041</u>	<u>2,999,819</u>
<b>Capital and reserves</b>			
Called up share capital	<u>18</u>	143,000	143,000
Share premium reserve	<u>19</u>	92,850	92,850
Profit and loss account	<u>19</u>	<u>2,889,191</u>	<u>2,763,969</u>
<b>Total equity</b>		<u>3,125,041</u>	<u>2,999,819</u>

Approved and authorised by the Board on 28 May 2021 and signed on its behalf by:

.....  
G Sheriff  
Director

The notes on pages 13 to 26 form an integral part of these financial statements.

## IT Professional Services Limited

### Statement of Changes in Equity for the Year Ended 31 May 2020

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 June 2018	143,000	92,850	2,506,956	2,742,806
Profit for the year	-	-	257,013	257,013
Total comprehensive income	-	-	257,013	257,013
At 31 May 2019	143,000	92,850	2,763,969	2,999,819

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 June 2019	143,000	92,850	2,763,969	2,999,819
Profit for the year	-	-	125,222	125,222
Total comprehensive income	-	-	125,222	125,222
At 31 May 2020	143,000	92,850	2,889,191	3,125,041

The notes on pages 13 to 26 form an integral part of these financial statements.

# **IT Professional Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2020**

### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Unit 2a & 2b, Metrocentre East Business Park, Waterside Drive, Gateshead, Tyne and Wear, NE11 9HU.

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention.

These financial statements are prepared in sterling which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £.

#### **Summary of disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

The company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

#### **Name of parent of group**

These financial statements are consolidated in the financial statements of ITPS (Holdings) Limited.

The financial statements of ITPS (Holdings) Limited may be obtained from Unit 2a & 2b Metrocentre East Business Park, Waterside Drive, Gateshead, Tyne and Wear, NE11 9HU.

#### **Going concern**

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements through cash generated from operations.

# **IT Professional Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)**

### **2 Accounting policies (continued)**

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This also considers the effectiveness of available measures to assist in mitigating the impact.

Although the forecast prepared taking account of the matters above support the ability of the company to remain a going concern and to be able to trade and meet its debts as they fall due, the full impact of COVID-19, the continued level of government support and the underlying trading assumptions used in forecasting are extremely judgemental and difficult to predict and could be subject to significant variation. The directors have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

Based on the factors set out above the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### **Judgements**

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

**Assessing indicators of impairment** - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

**Assessing nature of lease** - The Company has entered into commercial leases and as a lessee it obtains use of property, plant and equipment. The classification as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

**Taxation** - Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.



# **IT Professional Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other 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 are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The depreciation charge in the accounts is £ 602,580 (2019 - £650,687).

Stock provision - The company has made an assumption of writing down the value of stock on items in which they expect the cost to exceed the net realisable value before it is fully sold/utilised. This assumption has involved looking at the historic sales patterns and expected sales in future years.

Impairment of debtors - The company makes an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtor, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

#### **Revenue recognition**

Turnover represents net invoiced sales of goods and services, excluding value added tax and as adjusted for the movement in amounts recoverable on contracts and deferred income.

In accordance with FRS102 Section 23 - Revenue Recognition, work done but not invoiced at the financial year end is provided at estimated selling price based on the proportion of work carried out and is included within debtors under the heading of "amounts recoverable on contracts".

Where maintenance contracts have been invoiced for a period, all or part of which relates to a period after the financial year end, income is deferred based on the proportion of the total contract which relates to the period after the financial year end. The income deferred is included within creditors under the heading of "accruals and deferred income".

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Government grants included within other operating income includes the UK Government assistance provided through Coronavirus Job Retention Scheme during the Covid-19 pandemic.

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 2 Accounting policies (continued)

#### Tax

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

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 taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Property improvements	10% and 20% straight line
Workshop equipment	20% straight line
Fixtures and fittings	15% straight line
Motor vehicles	25% straight line and 25% reducing balance
In-house equipment	10% and 25% straight line and 20% reducing balance

#### Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

# **IT Professional Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 2 Accounting policies (continued)

#### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### 3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Sale of goods	4,339,814	5,219,820
Service and labour sales	1,352,919	2,185,847
Recurring contract sales	14,473,576	12,361,724
	<u>20,166,309</u>	<u>19,767,391</u>

The analysis of the company's turnover for the year by market is as follows:

	2020 £	2019 £
UK	<u>20,166,309</u>	<u>19,767,391</u>

### 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	<u>144,268</u>	<u>17,420</u>

### 5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	602,580	650,687
Loss on disposal of property, plant and equipment	<u>-</u>	<u>13,510</u>

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 6 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	100,074	159,293
Interest on obligations under finance leases and hire purchase contracts	14,127	51,622
	<u>114,201</u>	<u>210,915</u>

### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	5,135,853	4,814,892
Social security costs	553,200	503,433
Pension costs, defined contribution scheme	430,732	414,459
	<u>6,119,785</u>	<u>5,732,784</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Administration and support	132	130
	<u>132</u>	<u>130</u>

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	220,334	208,873
Contributions paid to money purchase schemes	16,500	19,500
	<u>236,834</u>	<u>228,373</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	2	2

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 8 Directors' remuneration (continued)

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	110,817	105,173
Company contributions to money purchase pension schemes	8,250	9,750

### 9 Auditor's remuneration

	2020 £	2019 £
Audit of the financial statements	15,000	12,000
<b>Other fees to auditors</b>		
Taxation compliance services	-	1,250

### 10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Current taxation</b>		
UK corporation tax	133,932	136,317
UK corporation tax adjustment to prior periods	2,630	(52,920)
	136,562	83,397
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	44,551	(5,900)
Arising from changes in tax rates and laws	-	1,734
Total deferred taxation	44,551	(4,166)
Tax expense in the income statement	181,113	79,231

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 10 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	306,335	336,244
Corporation tax at standard rate	58,204	63,886
Effect of revenues exempt from taxation	(3,310)	(3,310)
Effect of expense not deductible in determining taxable profit (tax loss)	94,246	54,482
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(1,986)	694
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	2,630	(51,186)
Other tax effects for reconciliation between accounting profit and tax expense (income)	31,329	14,665
Total tax charge	181,113	79,231

### Deferred tax

Deferred tax assets and liabilities

2020	Liability £
Accelerated capital allowances	212,974
	212,974
2019	Liability £
Accelerated capital allowances	168,423
	168,423

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 11 Tangible assets

	Property Improvement £	Fixtures and fittings £	In-house equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 June 2019	2,093,216	189,642	3,752,233	633,037	6,668,128
Additions	11,170	2,638	381,820	50,449	446,077
At 31 May 2020	2,104,386	192,280	4,134,053	683,486	7,114,205
<b>Depreciation</b>					
At 1 June 2019	738,120	144,242	2,555,603	154,078	3,592,043
Charge for the year	200,182	14,475	283,722	104,201	602,580
At 31 May 2020	938,302	158,717	2,839,325	258,279	4,194,623
<b>Carrying amount</b>					
At 31 May 2020	1,166,084	33,563	1,294,728	425,207	2,919,582
At 31 May 2019	1,355,096	45,401	1,196,632	478,959	3,076,088

### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Property improvements	434,863	517,831
Motor vehicles	323,880	478,960
In house equipment	247,273	306,498
	<u>1,006,016</u>	<u>1,303,289</u>

### 12 Stocks

	2020 £	2019 £
Stocks	<u>102,950</u>	<u>108,000</u>



# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 13 Debtors

	2020 £	2019 £
Trade debtors	2,673,190	4,093,762
Amounts owed by group undertakings	1,128,721	1,128,721
Other debtors	83,110	39,064
Prepayments	1,326,809	1,668,017
Gross amount due from customers for contract work	652,374	1,850,430
Corporation tax asset	683,371	398,805
Directors loan accounts	2,069,232	1,706,490
	<u>8,616,807</u>	<u>10,885,289</u>

### 14 Creditors

	Note	2020 £	2019 £
<b>Due within one year</b>			
Loans and borrowings	<u>15</u>	2,205,243	3,309,142
Trade creditors		1,808,885	2,025,680
Social security and other taxes		1,383,482	758,451
Other creditors		72,767	35,110
Accrued expenses		4,471,961	4,369,594
Corporation tax liability		528,120	190,898
		<u>10,470,458</u>	<u>10,688,875</u>
<b>Due after one year</b>			
Loans and borrowings	<u>15</u>	61,508	261,079
Accrued and deferred income		74,033	91,453
		<u>135,541</u>	<u>352,532</u>

### 15 Loans and borrowings

	2020 £	2019 £
<b>Current loans and borrowings</b>		
Bank borrowings	2,000,000	2,950,000
Hire purchase and finance lease liabilities	205,243	342,643
Other borrowings	-	16,499
	<u>2,205,243</u>	<u>3,309,142</u>

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 15 Loans and borrowings (continued)

Bank borrowings are secured by way of a fixed and floating charge over all of the company's assets. Obligations under finance leases and hire purchase contracts are secured over the assets to which they relate. Other borrowings represent unsecured working capital loans. The loans are at market rates of interest and repayable in instalments.

	2020 £	2019 £
<b>Non-current loans and borrowings</b>		
Hire purchase and finance lease liabilities	61,508	261,079

Obligations under finance leases and hire purchase contracts are secured over the assets to which they relate. Other borrowings represent unsecured working capital loans. The loans are at market rates of interest and repayable in instalments.

### 16 Provisions for liabilities

	Deferred tax £	Total £
At 1 June 2019	168,423	168,423
Increase (decrease) in existing provisions	44,551	44,551
At 31 May 2020	212,974	212,974

### 17 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £430,732 (2019 - £414,459). Contributions totalling £71,136 (2019 - £34,146) were payable to the scheme at the end of the year and are included in creditors.

### 18 Share capital

#### Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary shares of £1 each	143,000	143,000	143,000	143,000

# IT Professional Services Limited

## Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)

### 19 Reserves

#### Called up share capital

This reserve records the nominal value of the shares issued.

#### Share premium reserve

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### Profit and loss account

This reserve records retained earnings and accumulated losses.

### 20 Obligations under leases and hire purchase contracts

#### Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	205,244	342,644
Later than one year and not later than five years	61,508	261,079
	<u>266,752</u>	<u>603,723</u>

#### Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	413,005	495,623
Later than one year and not later than five years	565,507	828,188
	<u>978,512</u>	<u>1,323,811</u>

### 21 Related party transactions

The directors of the group are partners in ITPS Partnership, which owns the building that the company trades from. During the year the company was charged rent and service charges totalling £56,493 (2019 - £75,324). At the year end £15,436 (2019 - £314) was owed to ITPS Partnership.

The directors of the group are members of the ITPS Group SIPP which leases the building that an ITPS data centre trades from. During the year the company was charged rent of £140,000 (2019 - £110,000) by ITPS Group SIPP. There was £Nil outstanding at the year end (2019 - £Nil).

The directors of the group are related to the directors of ITPS Communications Limited. An intercompany account is maintained for ITPS Communications Limited which includes various transactions between it and the company. At the year end, an amount of £35,539 (2019 - £49,951) was owed to the company by ITPS Communications Limited.

**IT Professional Services Limited****Notes to the Financial Statements for the Year Ended 31 May 2020 (continued)**

## 21 Related party transactions (continued)

### Transactions with directors

<b>2020</b>	<b>At 1 June 2019</b>	<b>Advances to</b>	<b>At 31 May 2020</b>
<b>G Sheriff</b>	<b>£</b>	<b>directors</b>	<b>£</b>
Director's loan account	893,331	202,719	1,096,050
<b>M J H Jopling</b>			
Director's loan account	813,159	160,023	973,182
<b>2019</b>	<b>At 1 June 2018</b>	<b>Advances to</b>	<b>At 31 May 2019</b>
<b>G Sheriff</b>	<b>£</b>	<b>directors</b>	<b>£</b>
Director's loan account	652,107	241,224	893,331
<b>M J H Jopling</b>			
Director's loan account	574,983	238,176	813,159

## 22 Parent and ultimate parent undertaking

The company's immediate parent is ITPS (Holdings) Limited, incorporated in England and Wales.

These financial statements are available upon request from Unit 2a & 2b Metrocentre East Business Park, Waterside Drive, Gateshead, Tyne and Wear, NE11 9HU

The ultimate controlling party is G Sheriff by virtue of his majority holding in the share capital of the company's parent, ITPS (Holdings) Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.