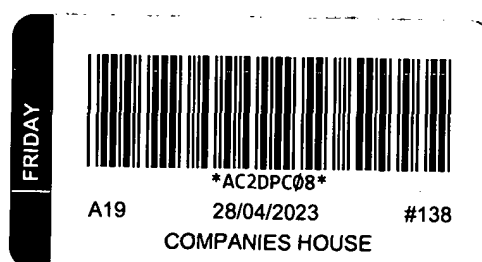


Company Registration No. 03208792 (England and Wales)

ITIM Limited

Report and Financial Statements

For the year ended 31 December 2022



ITIM Limited

Report and financial statements 2022

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ITIM Limited

Report and financial statements 2022

Officers and professional advisers

Directors

M A Athar
R N Frosell
I D Hayes
S Evetts

Secretary

I D Hayes

Auditors

RPG Crouch Chapman LLP
5th Floor, 14-16 Dowgate Hill
London
EC4R 2SU

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered Office

2nd Floor
Atlas House
173 Victoria St
London
SW1E 5NA

ITIM Limited

Strategic Report

The principal activity of the company is the development and sale of retail software.

Review of the business and future developments

I am pleased to report that the platform for growth that was laid in 2021 has indeed led to the growth in sales in 2022 in what can only be described as a difficult trading period. Revenues in the year increased by 2% over 2021 with booked recurring revenue for the year of £6.5m.

itim currently has over 40 customers using all or some elements of our platform providing us with a stable recurring revenue base.

The challenges caused by inflationary pressures will undoubtedly result in our customers homing in on all possible efficiencies to improve or at least maintain performance. itim's business is designed precisely to meet such objectives and we therefore anticipate that although 2023 is likely to be a challenging year for retailers, itim's business will nevertheless fare well in this climate.

Within our own business we focused on 2 key areas in 2022. First, to focus on improving our EBITDA margin as investor sentiment turned to cash conservation, and we have taken various steps in this regard. Second, to ensure that sales growth is matched by cash generation. To these ends we have and will continue to reduce the incentives we have previously offered customers. We are also keenly aware that rapid sales growth has sometimes resulted in pressures on cash flows. We have therefore retuned our business plan to seek out growth opportunities where the two can remain in sync. Alongside these steps and in order to protect itim for the future, we have continued to invest in R&D, increasing spend in 2022 and invested in building and protecting our staff base.

Key business developments planned for 2023 are:

To relaunch our consultancy business with the objective of assisting customers maximise the benefits from deploying itim's technology and enabling them to remain firmly focused on their own businesses. We firmly believe that many of our customers would welcome our expertise to help them maximise the benefits of our technology.

A second development planned for 2023 is to launch a payment hub which we have been funding over the past two years. The background to this which makes the benefit of this immediately evident, is that many retailers have traditionally spent around 2% of sales for payment gateways providing credit/debit card payments services, and pay their banks 2% for international supplier payments. In total around 3% of revenues goes to payment/financial transaction providers.

More recently, the fintech industry has been revolutionising delivery of financial services benefiting retail customers and suppliers alike. For retail customers network token technology is reducing payment costs, and facilitates benefits such as digital wallets and stored credit cards.

Electronic money institutions are now allowing retailers to offer bank accounts and branded debit cards at very low costs, making it easier to pay through bank transfer using mobile phone apps.

For suppliers to retailers international supplier payments are becoming much cheaper and it is now easy for mid-sized retailers to offer their suppliers invoice discounting services.

Many Fintech platforms are therefore scrambling to gain access to retailers' customer and suppliers and to allow retailers to offer better financial services to their customers and suppliers through them.

In 2021 itim began to work with Fintech service providers to find a way to plug into the retail community in order to provide these improved financial services through our platform. We have already started partnering with a number of fintechs to provide retailers with easy access to their platforms.

Today across our customer base we support over £1bn in sales through our EPOS, Web and mobile sales platforms and approve over £30bn in supplier invoices, of which there are £3bn in international payments. We already provide digital EDI services allowing retailers to digitally communicate with their suppliers, so plugging in payment and financial services is natural extension of our platform.

ITIM Limited

Strategic Report

In launching our payments hub, we are helping retailers reduce the costs of these financial services in return for a share of the transaction fees, resulting in considerable savings to our customers.

Research and development

Most of our research and development activities in 2022 revolved around creating new innovation in our offering, whilst improving products functionally and technically and we continue to invest in moving our applications to mobile.

Our goal is to ensure we stay competitive with the best 'point solutions' in the market for each of our modules, our advantage is that we provide fully integrated end-to-end business automation.

Functional improvements made to our platform during the year were in the following areas:

- Vendor managed inventory
- Product sets
- CRM instore
- Route management
- Multi instance ERP
- Buy now pay later

Everything needed to support our vision of 'Unified Retailing' and 'Omni-Channel' excellence.

During the year the company expensed through the income statement £0.7 million (2021: £0.8 million) in relation to research and development costs. In addition, development costs amounting to £1.6 million (2021: £0.9 million) were capitalised within intangible assets.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Economic environment

Changes in the UK economic environment could affect demand for the company's services or clients' ability to pay amounts due.

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

ITIM Limited

Strategic Report

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at fixed rate. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Foreign exchange risk

Foreign exchange risk arises when the company enter into transactions denominated in a currency other than their functional currency (sterling - £).

However, the company is exposed to some level of currency risk in respect of its activity in the US. The company is predominately exposed to currency risk to sales made in the US. However, this risk is largely reduced to a number of liabilities which also occur in the US and which are settled through a US bank account. Therefore, this currency exposure is largely reduced through natural hedging.

Financial key performance indicators

The directors utilise several key performance indicators to enable a consistent method of analysing and benchmarking performance. The key performance indicators utilised by the directors include but are not limited to the monitoring of revenue, gross profit and operating profit/loss.

	2022	2021
Turnover	£8,149k	£7,968k
Gross profit margin	11.2%	32.4%
Operating profit margin	-	10.1%

Approved by the Board of Directors on 13th April 2023 and signed on behalf of the Board


I D Hare
Director

ITIM Limited

Directors' Report

The directors' present their annual report and the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the company is the development and sale of retail software.

Business review and future developments

The review of the year's operations, trading outlook and future developments is contained in the Strategic report on pages 2 to 3.

Results and dividends

The loss for the year, after taxation, amounted to £1.8m (2021: profit £198K). The directors do not recommend the payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2022:

M A Athar
R N Frosell
I D Hayes
S Evetts

Auditors

In accordance with the company's articles, a resolution proposing that RPG Crouch Chapman LLP be reappointed as auditors of the company will be put at a General Meeting.

Disclosure of information to the auditors

So far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware and
- they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

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

Approved by the Board of Directors on 13th April 2023 and signed on behalf of the Board.



I D Hayes

Director

ITIM Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted in the United Kingdom (IFRSs) in conformity with the requirements of the Companies Act 2006. 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 IFRSs have been followed in conformity with the requirements of the Companies Act 2006, 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



I D Hayes

Director

13th April 2023

ITIM Limited

Independent auditor's report to the members of ITIM Limited Year ended 31 December 2022

Opinion

We have audited the financial statements of ITIM Limited (the "company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows 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 International Financial Reporting Standards (IFRS).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; 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

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.

As we cannot predict all future events or conditions and subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

ITIM Limited

Independent auditor's report to the members of ITIM Limited Year ended 31 December 2022

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the legal and regulatory frameworks within which the Company operates focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and relevant taxation legislation.
- We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

ITIM Limited

Independent auditor's report to the members of ITIM Limited Year ended 31 December 2022

Use of our report

This report is made solely to the company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

RPG Crouch Chapman LLP
Mark Wilson MA FCA (Senior Statutory Auditor)

For and on behalf of RPG Crouch Chapman LLP

Chartered Accountants
Statutory Auditors
5th Floor, 14-16 Dowgate Hill
London
EC4R 2SU
Date: 13th April 2023

ITIM Limited

Statement of Comprehensive Income Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	8,149	7,968
Cost of sales		(7,239)	(5,389)
Gross profit		910	2,579
Other income		-	-
Administrative expenses		(2,710)	(1,775)
EBITDA		(1,800)	804
Amortisation of intangible assets	10	(497)	(410)
Depreciation	11	(35)	(27)
Depreciation of right-of-use assets	15	(200)	(213)
Profit on disposal of right-of-use assets		-	10
(Loss) / Profit from operations		(2,532)	164
Exceptional items		-	(37)
Finance costs		-	(4)
Other interest – right of use assets		(24)	(34)
(Loss) / Profit on ordinary activities before taxation	5	(2,556)	89
Taxation	9	794	109
(Loss) / Profit for the year		(1,762)	198

There are no recognised gains and losses other than the losses above in the current and previous year. All results relate to continuing activities.

The notes on pages 14 to 30 form part of these financial statements.

ITIM Limited

Statement of Changes in Equity Year ended 31 December 2022

	Share capital £'000	Share premium £'000	Retained losses £'000	Total £'000
At 1 January 2021	1,536	11,568	(20,254)	(7,150)
Total comprehensive income for the year	-	-	198	198
At 1 January 2022	1,536	11,568	(20,056)	(6,952)
Total comprehensive loss for the year	-	-	(1,762)	(1,762)
At 31 December 2022	1,536	11,568	(21,818)	(8,714)

The notes on pages 14 to 30 form part of these financial statements.

Statement of Financial Position

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	10	4,833	3,744
Plant and equipment	11	64	56
Right-of-use assets	15	331	531
Deferred tax	9	164	10
		<u>5,392</u>	<u>4,341</u>
Current assets			
Trade and other receivables	12	2,960	1,931
Cash and cash equivalents		788	1,534
		<u>3,748</u>	<u>3,465</u>
Total assets		<u>9,140</u>	<u>7,806</u>
Current liabilities			
Trade and other payables	13	(16,965)	(13,652)
Right-of-use liability	15	(216)	(220)
Non-current liabilities			
Trade and other payables	14	(508)	(508)
Right-of-use liability	15	(165)	(378)
Total liabilities		<u>(17,854)</u>	<u>(14,758)</u>
Net liabilities		<u>(8,714)</u>	<u>(6,952)</u>
Equity			
Called up share capital	17	1,536	1,536
Share premium account		11,568	11,568
Retained losses		<u>(21,818)</u>	<u>(20,056)</u>
Shareholders' deficit		<u>(8,714)</u>	<u>(6,952)</u>

These financial statements were approved and authorised for issue by the Board of Directors on 13th April 2023.

Signed on behalf of the Board of Directors


I.D. Hayes
Director

The notes on pages 14 to 30 form part of these financial statements.

ITIM Limited

Statement of Cash Flow Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit/(Loss) after taxation		(1,762)	198
Adjustments for:			
Taxation	9	(794)	(109)
Interest paid	8	-	4
Other interest on leases	15	24	34
Amortisation and depreciation	10, 11, 15	732	650
(Gain)/Loss on disposal of right-of-use assets		-	(10)
Cash flows from operations before changes in working capital		(1,800)	767
Movement in trade and other receivables	12	(730)	(415)
Movement in trade and other payables	13	3,313	1,223
Cash generated from operations		783	1,575
Interest paid		-	(4)
Corporation tax refund		341	467
Net cash flows from operating activities		1,124	2,038
Cash flows from investing activities			
Capital expenditure on intangible assets	10	(1,586)	(946)
Purchase of plant and equipment	11	(43)	(48)
Net cash flows from investing activities		(1,629)	(994)
Cash flows from financing activities			
Payment of lease liabilities	15	(241)	(243)
Net cash flows from financing activities		(241)	(243)
Net increase in cash and cash equivalents		(746)	801
Cash and cash equivalents at beginning of year		1,534	733
Cash and cash equivalents at end of year		788	1,534

The notes on pages 14 to 30 form part of these financial statements.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

1. Corporate information

The financial statements of ITIM Limited (the company) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 13th April 2023. ITIM Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03208792). The company is domiciled in the United Kingdom and its registered address is 2nd Floor, Atlas House, 173 Victoria Street, London SW1E 5NH.

The company's principal activity is the development and sale of retail software.

2. Basis of preparation

The financial statements of the company are prepared under IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in GBP, which is also the company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

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

3. Summary of significant accounting policies

Revenue recognition

Revenue was recognised to the extent that it was probable that the economic benefits would flow to the company and the revenue could be reliably measured.

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year by the company. Revenue is derived from the company's principal activity and excludes VAT.

The company derives revenue from two principal sources as noted below:

1. Recurring revenue

Recurring revenue consists of:

- Subscriptions - revenue from subscriptions derive from the company's hosted software-as-a-service subscription application, which allows customers to use hosted software over the contract period without taking possession of the software. Revenue is recognised over the contract period, commencing on the date of the service go live which gives the customer the right-to-use and access the platform.
- Support and maintenance – derived from support services and software upgrades offered to customers using the company's software products. Revenue is recognised over the contract period, commencing on the go-live date of the implementation which gives the customer the right to access support services and the right to receive upgrades.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

3. Accounting policies (continued)

2. One off revenue

One off revenue consists of:

- Licences - the performance obligation for the provision of licences is considered to be satisfied when the agreement is signed by the customer and they are given access to the related software intellectual property ("IP") without any requirement to provide updates. It is recognised in full at the transaction price and over the period of implementation before the go live date of the implementation.
- Services - Services revenue relate to design and implementation services for each customer. Services enhance an asset that the customer controls and the company creates specific fit for purpose assets which cannot be used elsewhere. The transaction price is the amount determined by fixed price contracts or on a time and materials basis where the company has a right for consideration for work performed to date. Under the terms of the contracts, the company has a right to invoice at the achievement of various milestones in the contract.

Services are recognised over time and management consider the time spent as a proportion of total time expected is the most appropriate basis for recognition of this revenue stream as staff time is the main input into the delivery of the service. Any differences to the revenue measured by the above method and the amounts invoiced are included in the balance sheet. Further information on the contracts assets or contract liabilities are included in note 4.

Intangible fixed assets - Goodwill

Goodwill is not amortised but tested for impairment annually and whenever impairment indicators require. In most cases the company identified its cash generating units as one level below that of an operating segment. Cash flows at this level are substantially independent from other cash flows and this is the lowest level at which goodwill is monitored. A goodwill impairment loss is recognised in the Statement of Comprehensive Income whenever and to the extent that the carrying amount of a cash-generating unit exceeds the unit's recoverable amount, which is the greater of value in use and fair value less cost to sell.

Negative goodwill relating to intangible fixed assets requires immediate recognition in the Statement of Comprehensive Income.

In calculating goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent consideration is re-assessed annually. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the Statement of Comprehensive Income and credited to the liability over the period in which the consideration is deferred. The discount used approximates to market rates.

Intangible fixed assets - Research and development expenditure

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is considered to be seven years. Provisions are made for any impairment.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the Statement of Comprehensive Income.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

3. Accounting policies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation of tangible fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Computer equipment	-	straight line over 3 years
Office equipment	-	straight line over 3 years
Fixtures and fittings	-	straight line over 3 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period that the asset is derecognised. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Trade and other receivables

Trade and other receivables are initially stated at their fair value plus transaction costs, then subsequently at amortised cost using the effective interest method if applicable, less impairment losses. Provisions against trade and other receivables are made when there is objective evidence that the company will not be able to collect all amounts due to them in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

Trade and other payables

Trade and other payables are recognised at original cost.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

3. Accounting policies (continued)

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset with similar terms, security and conditions.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, and any initial direct costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with low-value items and leases of a duration less than 1 year are recognised as an expense in profit or loss on a straight-line basis.

Income taxes

The tax charge comprises current and deferred tax for the year. 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. Deferred tax is only recognised to the extent that the associated timing differences are likely to reverse in the foreseeable future.

Finance costs

Finance costs comprise interest payable on loans from directors and third parties and are recognised on an accruals basis

Pension contributions

The company operates a defined contribution scheme for its employees. Contributions are charged to the Statement of Comprehensive Income account in the year they are payable. The assets of the scheme are held separately from those of the company.

Financial instruments

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

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

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

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

3. Accounting policies (continued)

Use of assumptions and estimates

The company makes judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision effects both current and future periods.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Useful economic lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates, which are periodically reviewed for continued appropriateness. Changes to estimates can result in variations in the carrying values and amounts charged to the statement of comprehensive income in specific periods.

Change in accounting policies

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2022.

(a) New and amended standards adopted by the company:

There are no new standards which have had a material impact in the annual financial statements for the year ended 31 December 2022.

(b) New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. These include:

- Annual Improvements to IFRS Standards 2018-2020 Cycle – IFRS 9 Financial Instruments and IFRS 16 Leases
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

4. Revenue

The analysis of the company's revenue by geographical area is set out below.

	2022 £'000	2021 £'000
United Kingdom	7,747	7,580
Europe	131	146
Rest of World	271	242
	<u>8,149</u>	<u>7,968</u>

A breakdown of revenue by the two revenue streams as detailed in accounting policies is shown below:

	2022 £'000	2021 £'000
Recurring revenue	6,529	5,735
Other income	1,620	2,233
	<u>8,149</u>	<u>7,968</u>

Revenue is either recognised at a point in time or over the period of the contract in line with the accounting policy (note 2).

The following table provides information on contract assets and contract liabilities from contracts with customers:

	2022 £'000	2021 £'000
Contract assets	-	388
Contract liabilities	<u>2,250</u>	<u>2,112</u>

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

5. Profit/(Loss) on operating activities before taxation

Profit/(Loss) on ordinary activities before taxation is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets		
- owned	35	27
Depreciation of right-of-use assets	200	212
Amortisation of capitalised research and development	497	410
(Profit)/Loss on disposal of right-of-use assets	-	(10)
Exceptional items	-	37
Auditors' remuneration		
- Amounts paid to the auditors of the company for the audit of the company's accounts	22	20

Fees payable to the auditors' and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6. Employee information

Employment costs

	2022 £'000	2021 £'000
Wages and salaries	5,014	3,811
Social security costs	642	448
Other pension costs	235	184
Other benefits	96	75
	<u>5,987</u>	<u>4,518</u>

The average monthly number of employees (including directors) during the year was as follows:

	2022 No.	2021 No.
Selling and administration	18	13
Technical	65	51
	<u>83</u>	<u>64</u>

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

7. Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	801	726
Pension contributions (money purchase schemes)	49	47
	<u>850</u>	<u>773</u>

Total Directors' emoluments disclosed above is equivalent to total key management personnel compensation in the period.

Directors' emoluments disclosed above include the following payments to the highest paid director:

	2022 £'000	2021 £'000
Aggregate emoluments	332	268
Pension contributions (money purchase schemes)	16	13
	<u>348</u>	<u>281</u>

	2022 No.	2021 No.
Number of directors to whom relevant benefits are accruing under:		
Money purchase schemes	<u>3</u>	<u>4</u>

8. Finance costs

	2022 £'000	2021 £'000
Other interest and similar charges	<u>-</u>	<u>4</u>

9. Taxation

Factors affecting tax for the year:

a) The tax credit is made up as follows:

	2022 £'000	2021 £'000
Current corporation tax credit	(600)	(300)
Adjustment in respect of prior years	(40)	(2)
Total current income tax	<u>(640)</u>	<u>(302)</u>
Deferred tax (income) / expense		
Current year	<u>(154)</u>	<u>193</u>
Total tax credit for the year	<u>(794)</u>	<u>(109)</u>

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

9. Taxation (continued)

b) The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation of tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £'000	2021 £'000
Profit/(Loss) on ordinary activities before tax	(2,556)	89
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(486)	17
Effects of:		
Expenses not deductible for tax purposes	87	91
Tax losses utilised as part of research and development tax credit	(600)	(300)
Unrelieved tax losses and other deductions arising in the year	383	(103)
Recognition of deferred tax asset in respect of losses	(154)	193
Group relief surrendered	16	-
Adjustment in respect of earlier years	(40)	-
Other adjustments	-	(7)
Current tax credit for the year	(794)	(109)

(c) Deferred taxation

Deferred tax balances consist of the following timing differences

	2022 £'000	2021 £'000
Deferred tax asset		
Acceleration capital allowances (ACAs)	(602)	(426)
Tax losses available for carry forward (Losses)	760	433
Other timing differences	6	3
	164	10

The company has not recognised all deferred tax assets in respect of tax losses due to timing uncertainty regarding the recoverability against future profits. If all tax losses were recognised the deferred tax asset would increase as below in each year.

	£'000	£'000
Deferred tax asset		
Acceleration capital allowances	(602)	(426)
Tax losses available for carry forward	2,049	1,817
Other timing differences	6	3
Deferred tax asset	1,453	1,394
Increase in deferred tax asset if all losses recognised	1,289	1,384

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

9. Taxation (continued)

The movement in deferred tax assets during the period are:

Deferred tax assets	ACAs £'000	Losses £'000	Other £'000	Total £'000
At 31 December 2020	(325)	620	3	298
Charged to profit and loss account	(101)	(92)	-	(193)
Transferred to ITIM group Plc	-	(95)	-	(95)
At 31 December 2021	(426)	433	3	10
Charged to profit and loss account	(176)	327	3	154
At 31 December 2022	(602)	760	6	164

10. Intangible assets

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2022	10,837	2,413	13,250
Additions	1,586	-	1,586
At 31 December 2022	12,423	2,413	14,836
Amortisation			
At 1 January 2022	8,556	950	9,506
Charge for the year	497	-	497
At 31 December 2022	9,053	950	10,003
Net book value			
At 31 December 2022	3,370	1,463	4,833
At 31 December 2021	2,281	1,463	3,744

Goodwill arising prior to the transition to IFRS on 1 January 2015 has not been restated, as permitted under IFRS1 – First Time Adoption of IFRS.

The Board consider that there is only one Cash Generating Unit (CGU). In accordance with the accounting policy, goodwill is tested annually for impairment, Management have used a fair value less cost of sales methodology supported by offers for the company and consider that the value supports the carrying value of goodwill at each period end.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

11. Plant and equipment

	Computer software £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2022	171	701	872
Additions	-	43	43
At 31 December 2022	171	744	915
Depreciation			
At 1 January 2022	170	646	816
Charge for the year	1	34	35
At 31 December 2022	171	680	851
Net book value			
At 31 December 2022	-	64	64
At 31 December 2021	1	55	56

12. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	1,969	1,023
Corporation tax	600	301
Prepayments and accrued income	272	561
Other receivables	119	46
	2,960	1,931

13. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	511	475
Other taxation and social security	568	460
Other payables	36	56
Amounts owed to group undertakings	13,250	10,246
Accruals	350	303
Deferred income	2,250	2,112
	16,965	13,652

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

14. Non-current trade and other payables

	2022 £'000	2021 £'000
Shares classed as financial liabilities	508	508
Amounts owed to group undertakings	-	-
	<u>508</u>	<u>508</u>

15. Leases

The company leases three (2021 – three) units within properties from which it operates. The company also leases certain hosting equipment. Lease payments are fixed throughout the contract period.

	Right-of-use - Property £'000	Right-of-use- Equipment £'000	Total £'000
Cost			
At 1 January 2022	856	204	1,060
Additions	-	-	-
Disposals	-	-	-
At 31 December 2022	856	204	1,060
Depreciation			
At 1 January 2022	465	64	529
Charge for the year	160	40	200
Disposals	-	-	-
At 31 December 2022	625	104	729
Net book value			
At 31 December 2022	231	100	331
At 31 December 2021	391	140	531

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

15. Leases (continued)

Lease liabilities:

	2022 £'000	2021 £'000
At 1 January	598	783
Interest expense	24	34
Lease payments	(241)	(243)
Additions	-	24
At 31 December	<u>381</u>	<u>598</u>

Amounts payable are as follows:

	2022 £'000	2021 £'000
Due within 1 year	216	220
Due 2-5 years	135	348
Due over 5 years	30	30
Total	<u>381</u>	<u>598</u>

16. Financial instruments

The company's financial instruments comprise cash and various items, such as loans and borrowings, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operation.

Fair values of financial instruments

For the following financial assets and liabilities: trade and other payables, trade and other receivables and cash at bank and in hand, the carrying amount approximates the fair value of the instrument due to the short-term nature of the instrument. The Directors consider that there is no material difference between book value and fair value for any of the financial instruments held.

The company's activities expose the company to a number of risks including capital management risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk.

It is the company's policy that no trading in financial instruments should be undertaken.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The company only deals in basic financial instruments. Financial instruments consist of trade receivables, other receivables, cash and cash equivalents, trade payables, other payables, accruals and bank overdrafts. All financial assets and liabilities are recognised at amortised cost.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

16. Financial instruments (continued)

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives monthly reports from the Finance Department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on the cash balances held in banks. It is the company's policy only to make deposits with banks with an acceptable credit rating.

The company is mainly exposed to credit risk from credit sales. It is company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. An ageing analysis of trade receivables is detailed below:

	Total £'000	Current £'000	30-60 days £'000	> 60 days £'000
2022				
Trade and other receivables	1,969	725	804	440
	<u>1,969</u>	<u>725</u>	<u>804</u>	<u>440</u>
2021				
Trade and other receivables	1,023	830	39	154
Contract assets	388	388	-	-
	<u>1,411</u>	<u>1,218</u>	<u>39</u>	<u>154</u>

Trade receivables are recognised initially at the transaction price. They are subsequently measured less any provision for impairment in relation to expected credit losses. At each reporting date the company assesses the expected credit losses and changes in credit risk since initial recognition of the receivable and a provision for impairment is recognised when considered necessary. The company considers the ageing to be reasonable and has no history of significant bad debts. No provisions have been made in these financial statements. The Board do not consider the credit risk to be significant for the financial assets currently held.

Foreign exchange risk

Foreign exchange risk arises when the company enter into transactions denominated in a currency other than their functional currency (sterling - £).

The company is exposed to some level of currency risk in respect of its activity in the US. The company is predominately exposed to currency risk to sales made in the US. The Directors have considered the balances at year end and based on the level of foreign currency balances and the expected timing of settlement of those amounts that the foreign exchange risk is not material.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

16. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that company may encounter difficulty in meeting its obligations associated with the financial liabilities that are settled by delivering cash or other financial assets. The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

The company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows through effective cash management.

As at 31 December 2022	Carrying amount	1 year or less	1<2 years	2-5 years	5 years
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	14,146	14,146	-	-	-
Right of use liability	381	216	60	75	30
Non-current other payables	508	-	508	-	-
	15,035	14,362	568	75	30

As at 31 December 2021	Carrying amount	1 year or less	1<2 years	2-5 years	5 years
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	11,080	11,080	-	-	-
Right of use liability	598	220	213	135	30
Non-current other payables	508	-	508	-	-
	12,186	11,300	721	135	30

Capital management risk

The company's main objective when managing capital is to protect returns to shareholders by ensuring the company will continue to trade for the foreseeable future. The company also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital. The company in particular reviews its levels of borrowing and the repayment dates, setting these out against forecast cash flows and reviewing the level of available funds.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

17. Share capital

	2022 £'000	2021 £'000
Authorised:		
229,643,595 Ordinary shares of £0.01 each	2,296	2,296
156,902,883 'A' Ordinary shares of £0.01 each	1,569	1,569
50,825,022 Deferred shares of £0.01 each	508	508
	<u>4,373</u>	<u>4,373</u>
Allotted, called up and fully paid:		
21,368,402 Ordinary shares of £0.01 each	214	214
132,204,854 'A' Ordinary shares of £0.01 each	1,322	1,322
50,825,022 Deferred shares of £0.01 each	508	508
	<u>2,044</u>	<u>2,044</u>
Equity shares		
21,368,402 Ordinary shares of £0.01 each	214	214
132,204,854 'A' Ordinary shares of £0.01 each	1,322	1,322
	<u>1,536</u>	<u>1,536</u>
Shares classed as financial liabilities		
50,825,022 Deferred shares of £0.01 each	<u>508</u>	<u>508</u>

A summary of the rights of the different classes of share is given below:

Dividends

The company may pay dividends set out below (which are expressed net of tax) in the following order of priority:

'A' ordinary shares participating dividend as a class which is dependent upon the percentage of 'A' ordinary shares in issue and the total number of equity shares in issue. The dividends are cumulative from 1 January 2005.

Ordinary shares dividend are the amount per share approved by the members in general meeting not exceeding the amount of the participating dividend per share paid on the 'A' ordinary shares for the last complete financial year.

Deferred ordinary shares have no right to dividends.

Capital repayment

If the company's share capital is reduced or the company is liquidated, the capital available for payment to shareholders will be paid on each share in the following order:

'A' ordinary shares – the subscription price (with aggregate payments rounded to the nearest penny);

Ordinary shares – 13.786 pence per share (with aggregate payments rounded to the nearest penny);

'A' ordinary and ordinary shares – the surplus (as though the shares were the same class);

Deferred shares – repayment only if the 'A' shareholders have been paid £1,000 per share.

If any share has dividend arrears/accruals these must be cleared prior to the return of capital or an equivalent sum added to the amount of capital returned.

Voting

Ordinary shares and 'A' ordinary shares have one vote each. The deferred shares have no voting rights.

ITIM Limited

Notes to the financial statements Year ended 31 December 2022

18. Pension commitments

The company makes contributions to individual pension schemes (money purchase). The amount paid during the year was £244,010 (2021: £184,113). Outstanding contributions at the balance sheet date amounted to £36,041 (2021: £26,042).

19. Contingent liabilities

ITIM Group PLC and its subsidiaries undertakings have given cross guarantees and granted rights to set-off in respect of group undertaking balances and loans.

20. Related party transactions

The company has taken advantage of the exemption available under IAS 2 Related Party Disclosures not to disclose details of transactions between Group undertakings which are eliminated on consolidation.

Key management compensation is shown in note 8. There were no other key management personnel other than the Directors.

21. Supporting statement for cash flows

Year ended 31 December 2022	Brought forward £'000	Cash flow £'000	Non cash £'000	Carried forward £'000
Leases	(598)	241	(24)	(381)
Year ended 31 December 2021	Brought forward £'000	Cash flow £'000	Non cash £'000	Carried forward £'000
Leases	(782)	243	(59)	(598)

22. Ultimate parent company and controlling party

The directors regard ITIM Group PLC, a company incorporated in England and Wales as the ultimate parent company and controlling party. Copies of the Group accounts, which include the company, can be obtained from 2nd Floor, Atlas House, 173 Victoria Street, London, SW1E 5NH.