

Registration number: 04608506

ITI Operations Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022



ITI Operations Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 to 29

ITI Operations Limited

Company Information

Directors P W Bayliss
M E Hardy
M R Royle
Company secretary C E Harrad

Registered office Rotherside Road
Eckington
Sheffield
S21 4HL

Auditors Hawsons Chartered Accountants
Senior Statutory Auditor
Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

ITI Operations Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The company and group are principally engaged in the supply of high integrity computer based information solutions and process control and management services, across the oil, gas, nuclear and power generation markets.

Fair review of the business

ITI has performed well in the year and has made significant progress against the growth strategy, with substantial increases in sales and EBITDA (Earnings before Interest, Tax, Depreciation, and Amortisation).

The group aims to grow the business via organic growth in key markets as well as acquisitive growth to enter new markets and obtain additional capability. During 2022 the Group acquired in full CIM Logic Ltd which gave the group access to the wider industrials markets and enhanced digital and data capabilities.

Strong sales continued in 2022 and the forward workload carried into 2023 was 16% higher than the previous year which saw significant volumes brought into 2022.

The approach of diversifying our markets delivered a broader spread of new sales across the spectrum, with significant wins in nuclear new build, nuclear decommissioning, renewables, and in transmission and distribution to augment our position in oil, gas and across the civil nuclear generating fleet. The CIM Logic acquisition provides opportunity to sell group capabilities into the life sciences, food and beverage, logistics and industrial materials.

We are seeing increased demand across all our markets as customers and industry look to use automation and data to increase sustainability and efficiency to help achieve their strategic goals. The group has seen significant investment to reposition the sales model to demand creation and the use of consultancy selling to help capitalise on the market opportunity.

ITI has been supporting critical national infrastructure for almost 50 years and benefit from a skilled and highly accredited workforce who are specialists across a range of sectors, trusted by industry's largest companies to keep their operations safe, secure, and fit for the future.

The company has offices in Aberdeen, Alcester, Glasgow, Saltair, Warrington and Sheffield.

Research and development

Increased turnover has meant R&D activities have increased with total spend of £2,333,018 compared to £2,159,732 in 2021. We develop and integrate bespoke systems for national infrastructure by bringing together specialist hardware, software and engineering to provide control, monitoring and safety solutions.

Cash flow risk

The company continues to maintain adequate cash balances to fund its working capital requirement.

Key performance indicators

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

	Unit	2022	2021
Turnover	£'000	19,092	14,291
Gross profit	£'000	8,323	7,125
Gross profit percentage	%	44	50
Net profit before tax	£'000	1,046	1,418
EBITDA	£'000	1,695	2,288

ITI Operations Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The Company's performance is reliant on the continuing trading operations of its subsidiaries and the Group as a whole, the risks of which are carefully managed by management.

The Group's operations expose it to a variety of financial issues that include the effects of changes in market prices, credit risk and technological developments. The Group has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the Group this is achieved through strict bid management processes and continual project reviews attended by the senior leadership team.

Financial risk management objectives and policies

The Group's Directors and senior management oversee the management of risks in line with the policies and procedures set by ITI Operations Limited.

Price risk

The Group is exposed to price risk as a result of its operations, which are competitive in nature. However, the Directors consider that they are close enough to the market to be able to react quickly to price changes and hence manage the impact on the Group's performance.

Supply Chain risk

The Company is exposed to supply chain delays due to the global semi-conductor shortage, and price volatility within the supply chain. This is mitigated through negotiating within customer contracts clauses to pass these risks to customers before work is executed.

Resource risk

The Company is exposed to risk due to the skills shortage within the engineering industry and mitigates this risk through active review of the pipeline of new projects, sharing resources across all offices and offering an apprentice and graduate scheme to train new recruits into engineering.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

Management reviews the liquidity position of the Group on a regular basis using KPIs and other management information. Most liabilities are due within 1 year and it is therefore considered unlikely that any would be settled earlier than indicated.

Interest rate risk

The Group has exposure to interest rate risk due to its external borrowings, this is mitigated by maintaining sufficient cash to satisfy interest payment requirements.

Foreign currency risk

The Group has limited exposure to foreign currency risk.

Approved by the Board on 26/5/23 and signed on its behalf by:

M E Hardy
Director

ITI Operations Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the group

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

P W Bayliss (appointed 1 March 2022)

R Holden - Company secretary and director (ceased 1 March 2022)

A I Mills (ceased 8 November 2022)

The following directors were appointed after the year end:

M E Hardy (appointed 13 March 2023)

M R Royle (appointed 13 March 2023)

Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditor

Each director of the company who held office at the date of the approval of this Annual Report, as set out above, confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps 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.

Reappointment of auditors

The auditors Hawsons Chartered Accountants are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 26/5/23 and signed on its behalf by:

M E Hardy
Director

ITI Operations 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.

ITI Operations Limited

Independent Auditor's Report to the Members of ITI Operations Limited

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 director's 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 original financial statements were authorised for issue.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

ITI Operations Limited

Independent Auditor's Report to the Members of ITI Operations 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

ITI Operations Limited

Independent Auditor's Report to the Members of ITI Operations Limited (continued)

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of long-term work in progress;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

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

Use of our report

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

Hawsons

Simon Bladen (Senior Statutory Auditor)

For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

Date: *26 May 2023*

ITI Operations Limited

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

	Note	2022 £ 000	2021 £ 000
Turnover	2	19,092	14,291
Cost of sales		<u>(10,769)</u>	<u>(7,166)</u>
Gross profit		8,323	7,125
Distribution costs		(693)	(740)
Administrative expenses		(6,238)	(4,877)
Exceptional items	4	(355)	(153)
Other operating income	3	<u>9</u>	<u>63</u>
Operating profit	5	<u>1,046</u>	<u>1,418</u>
Profit before tax		1,046	1,418
Tax on profit	7	<u>57</u>	<u>337</u>
Profit for the financial year		<u>1,103</u>	<u>1,755</u>
Total comprehensive income for the year		<u>1,103</u>	<u>1,755</u>

The above results were derived from continuing operations.

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

Total comprehensive income for the year is all attributable to the owners of the parent company.

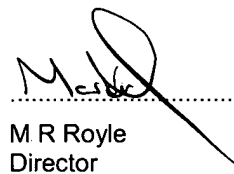
ITI Operations Limited

(Registration number: 04608506)

Consolidated Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Intangible assets	8	5,842	3,026
Tangible assets	9	<u>327</u>	<u>278</u>
		<u>6,169</u>	<u>3,304</u>
Current assets			
Stocks	11	28	-
Debtors	12	8,249	7,026
Cash at bank and in hand		<u>2,570</u>	<u>1,558</u>
		10,847	8,584
Creditors: Amounts falling due within one year	13	<u>(7,144)</u>	<u>(3,945)</u>
Net current assets		<u>3,703</u>	<u>4,639</u>
Total assets less current liabilities		9,872	7,943
Creditors: Amounts falling due after more than one year	13	(900)	-
Provisions for liabilities		<u>55</u>	<u>(19)</u>
Net assets		<u>9,027</u>	<u>7,924</u>
Capital and reserves			
Profit and loss account		<u>9,027</u>	<u>7,924</u>
Shareholders' funds		<u>9,027</u>	<u>7,924</u>

Approved and authorised by the Board on 26th May 2023 and signed on its behalf by:

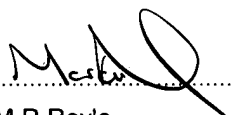

 M R Royle
 Director

ITI Operations Limited
(Registration number: 04608506)
Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Intangible assets	8	38	15
Tangible assets	9	256	267
Investments	10	10,623	5,298
		<u>10,917</u>	<u>5,580</u>
Current assets			
Debtors	12	6,459	5,613
Cash at bank and in hand		723	1,341
		<u>7,182</u>	<u>6,954</u>
Creditors: Amounts falling due within one year	13	<u>(8,455)</u>	<u>(4,534)</u>
Net current (liabilities)/assets		<u>(1,273)</u>	<u>2,420</u>
Total assets less current liabilities		9,644	8,000
Creditors: Amounts falling due after more than one year	13	(900)	-
Provisions for liabilities		<u>(18)</u>	<u>(22)</u>
Net assets		<u>8,726</u>	<u>7,978</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		<u>8,726</u>	<u>7,978</u>
Shareholders' funds		<u>8,726</u>	<u>7,978</u>

As permitted by s408 of the Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepared group accounts. The company made a profit of £748,000 in the year (2021 - £1,789,000).

Approved and authorised by the Board on ~~26th May 2023~~ and signed on its behalf by:


M R Royle
Director

ITI Operations Limited

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

Equity attributable to the parent company

	Profit and loss account £ 000	Total £ 000
At 1 January 2022	7,924	7,924
Profit for the year	<u>1,103</u>	<u>1,103</u>
Total comprehensive income	<u>1,103</u>	<u>1,103</u>
At 31 December 2022	<u><u>9,027</u></u>	<u><u>9,027</u></u>

	Profit and loss account £ 000	Total £ 000
At 1 January 2021	6,169	6,169
Profit for the year	<u>1,755</u>	<u>1,755</u>
Total comprehensive income	<u>1,755</u>	<u>1,755</u>
At 31 December 2021	<u><u>7,924</u></u>	<u><u>7,924</u></u>

ITI Operations Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Profit and loss account £ 000	Total £ 000
At 1 January 2022	7,978	7,978
Profit for the year	748	748
Total comprehensive income	748	748
At 31 December 2022	8,726	8,726

	Profit and loss account £ 000	Total £ 000
At 1 January 2021	6,189	6,189
Profit for the year	1,789	1,789
Total comprehensive income	1,789	1,789
At 31 December 2021	7,978	7,978

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

Statutory information

ITI Operations Limited is a private company, limited by shares, domiciled in England and Wales, company number 04608506. The registered office is at Rotherside Road, Eckington, Sheffield, S21 4HL.

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'. There has been no material departure from this standard.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling, which is the functional currency of the company. The financial statements are those of an individual entity.

Summary of disclosure exemptions

The company is a qualifying entity for the purposes of FRS102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instruments; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

After due consideration of all relevant factors the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue recognition

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expense recognised that it is probable will be recovered.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 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 change 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 group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated 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 balance sheet 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
Freehold land and buildings	2% straight line
Plant and machinery, fixtures and fittings	2 - 25% straight line

Goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software licences	15 - 40% straight line
Customer contracts	over the life of the contract

Investments

In the separate company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group 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.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Exceptional items

The company presents as exceptional items on the face of the statement of comprehensive income those material items of income or expense, which because of the nature and expected infrequency of the events given rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the period, so as to facilitate comparison with prior period.

Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the statement of comprehensive income.

Judgements

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Determining whether fixed asset investments are impaired requires an estimation at the higher of fair value and value in use of the cash generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The timing of revenue recognition is subject to inherent complexities, especially in relation to more complex contracts. Revenue from contracts is recognised so as to ensure that an appropriate level of profit is recognised based on the stage of completion of the contract.

Included within the cost of the acquisition of Cim Logic Limited by the Company during the year is an amount of deferred consideration. The deferred consideration is dependent upon the future profitability of the acquired business. Management have estimated that profitability based on historical trends and known ongoing contracts. The remaining deferred consideration has been estimated at £1,500,000 and is included within other creditors.

Determining whether goodwill and other intangible assets are impaired requires an estimation at the higher of fair value and value in use of the asset or cash generating units to which they have been allocated or belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset or cash generating unit and a suitable discount rate in order to calculate present value.

The group initially measures the separate intangible assets acquired in a business combination at their fair value at the date of acquisition. Management judgement is required in deriving a number of assumptions which are used in assessing the fair value of each intangible acquisition including the timing and amount of future incremental cash flows expected to be generated by the asset and in calculating an appropriate cost of capital. At 31 December 2022 the carrying value of these separate intangible fixed assets was £Nil (2021: £Nil).

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Revenue

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

	2022 £ 000	2021 £ 000
Supply of technology services	<u>19,092</u>	<u>14,291</u>

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

	2022 £ 000	2021 £ 000
UK	16,964	14,249
Europe	289	27
Rest of world	<u>1,839</u>	<u>15</u>
	<u>19,092</u>	<u>14,291</u>

3 Other operating income

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

	2022 £ 000	2021 £ 000
Grants received - UK government Coronavirus retention scheme	-	63
Government grants	<u>9</u>	<u>-</u>
	<u>9</u>	<u>63</u>

4 Exceptional items

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

	2022 £ 000	2021 £ 000
Restructuring costs	21	60
Integration expenses	279	93
Acquisition expenses	<u>55</u>	<u>-</u>
	<u>355</u>	<u>153</u>

Included in exceptional costs are £21,000 (2021: £60,000) in respect of redundancy costs.

The exceptional integration expense represents the cost to the parent company of integrating the recently acquired subsidiaries, Saker Solutions Limited and Cim Logic Limited, into the group.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Depreciation expense	130	93
Amortisation expense	519	777
Foreign exchange (gains)/losses	(19)	6
Operating lease expenses - property	340	247
Research and development costs	-	2,160
Audit of the financial statements of the group and company	15	13
Audit of the financial statements of the company's subsidiaries	11	4
Taxation compliance services	3	3
All other non-audit services	<u>8</u>	<u>5</u>

6 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	7,721	5,576
Social security costs	859	625
Pension costs	<u>797</u>	<u>631</u>
	<u>9,377</u>	<u>6,832</u>

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

	2022 No.	2021 No.
Production	167	100
Administration	17	20
Distribution	<u>13</u>	<u>13</u>
	<u>197</u>	<u>133</u>

All directors are remunerated by the company's immediate parent, ITI Engineering Group Limited. Remuneration paid to the directors in the year totalled £252,250 (2021: £221,718) and pension contributions totalled £52,168 (2021: £83,175). Included within these totals are remuneration of £119,574 (2021: £140,517) and pension contributions £34,377 (2021: £35,454) in respect of the highest paid director.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	-	(180)
UK corporation tax adjustment to prior periods	17	(72)
	<u>17</u>	<u>(252)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(74)	(85)
Tax receipt in the income statement	<u>(57)</u>	<u>(337)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	<u>1,046</u>	<u>1,418</u>
Corporation tax at standard rate	199	270
Effect of expense not deductible in determining taxable profit	134	1
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	17	(73)
Permanent capital allowances in excess of depreciation	(78)	2
Amortisation on assets not qualifying for tax allowances	96	65
Additional deduction for research and development expenditure	(457)	(657)
Surrender of tax losses for research and development credit	32	55
Total tax credit	<u>(57)</u>	<u>(337)</u>

Deferred tax

Group

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000
Accelerated capital allowances	44	-
Short term timing differences	-	99
	<u>44</u>	<u>99</u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 **(continued)**

7 Taxation (continued)

	Asset £ 000	Liability £ 000
2021		
Accelerated capital allowances	33	-
Short term timing differences	-	14
	<u>33</u>	<u>14</u>

Company

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2022		
Accelerated capital allowances	33	-
Short term timing differences	-	15
	<u>33</u>	<u>15</u>

	Asset £ 000	Liability £ 000
2021		
Accelerated capital allowances	35	-
Short term timing differences	-	13
	<u>35</u>	<u>13</u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Intangible assets

Group

	Goodwill £ 000	Customer contracts £ 000	Software licences £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	3,409	499	49	3,957
Additions	3,299	-	36	3,335
At 31 December 2022	6,708	499	85	7,292
Amortisation				
At 1 January 2022	398	499	34	931
Amortisation charge	506	-	13	519
At 31 December 2022	904	499	47	1,450
Carrying amount				
At 31 December 2022	5,804	-	38	5,842
At 31 December 2021	3,011	-	15	3,026

Company

	Software licences £ 000
Cost or valuation	
At 1 January 2022	104
Additions acquired separately	36
At 31 December 2022	140
Amortisation	
At 1 January 2022	89
Amortisation charge	13
At 31 December 2022	102
Carrying amount	
At 31 December 2022	38
At 31 December 2021	15

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Tangible assets

Group

	Plant and machinery, fixtures and fittings £ 000
Cost or valuation	
At 1 January 2022	1,881
Additions	183
Disposals	(27)
Transfers	(5)
At 31 December 2022	<u>2,032</u>
Depreciation	
At 1 January 2022	1,603
Charge for the year	130
Eliminated on disposal	(27)
Transfers	(1)
At 31 December 2022	<u>1,705</u>
Carrying amount	
At 31 December 2022	<u><u>327</u></u>
At 31 December 2021	<u><u>278</u></u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Tangible assets (continued)

Company

	Plant and machinery, fixtures and fittings £ 000
Cost or valuation	
At 1 January 2022	1,824
Additions	90
At 31 December 2022	1,914
Depreciation	
At 1 January 2022	1,557
Charge for the year	101
At 31 December 2022	1,658
Carrying amount	
At 31 December 2022	256
At 31 December 2021	267

10 Investments

Company

	2022 £ 000	2021 £ 000
Investments in subsidiaries	10,623	5,298

Subsidiaries

	£ 000
Cost or valuation	
At 1 January 2022	5,298
Additions	5,325
At 31 December 2022	10,623
Provision	
Carrying amount	
At 31 December 2022	10,623
At 31 December 2021	5,298

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Investments (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
ITI Scomagg Limited	United Kingdom	Ordinary	100%	100%
Saker Solutions Limited	United Kingdom	Ordinary	100%	100%
Cim Logic Limited	United Kingdom	Ordinary	100%	0%
Cim Logic Inc*	Canada	Ordinary	100%	0%

*Indirect investment

ITI Scomag Limited

The principal activity of ITI Scomag Limited is that of a dormant company.

The registered address of ITI Scomag Limited is Coltness House, Lark Way, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3RB.

Saker Solutions Limited

The principal activity of Saker Solutions Limited is consultancy on modelling software.

The registered address of Saker Solutions Limited is Warren Farm House, Sambourne Lane, Astwood Bank, Redditch, Worcestershire, B96 6PL.

Cim Logic Limited

The principal activity of Cim Logic Limited is computer consultants.

The registered address of Cim Logic Limited is Salts Mill, Victoria Road, Saltaire, Shipley, West Yorkshire, BD18 3LF.

Cim Logic Inc

The principal activity of Cim Logic Inc is computer consultants.

The registered address of Cim Logic Inc is 60 Atlantic Avenue, Suite 200, Toronto, M6K 1X9.

11 Stocks

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Other inventories	28	-	-	-

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Debtors

	Note	Group		Company	
		2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Trade debtors		4,825	2,483	3,504	2,155
Amounts owed by related parties	17	-	1,061	-	-
Other debtors		35	30	15	15
Prepayments		536	485	178	476
Gross amount due from customers for contract work		2,853	2,787	2,762	2,787
Income tax asset	7	-	180	-	180
		<u>8,249</u>	<u>7,026</u>	<u>6,459</u>	<u>5,613</u>

13 Creditors

	Note	Group		Company	
		2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Due within one year					
Trade creditors		810	744	738	738
Amounts due to related parties	17	742	-	4,041	1,179
Social security and other taxes		995	586	730	473
Other creditors		658	1,063	655	1,043
Payments received on account		1,727	1,095	1,392	644
Accruals		<u>2,212</u>	<u>457</u>	<u>899</u>	<u>457</u>
		<u>7,144</u>	<u>3,945</u>	<u>8,455</u>	<u>4,534</u>
Due after one year					
Other creditors		900	-	900	-

Included in other creditors is £1,500,000 (2021: £1,000,000) in relation to deferred consideration for the acquisition of Saker Solutions Limited and Cim Logic Limited.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £796,865 (2021 - £631,219).

Contributions totalling £83,039 (2021 - £54,713) were payable to the scheme at the end of the year and are included in creditors.

15 Share capital

Allotted, called up and fully paid shares

	2022	£	2021	£
	No.		No.	
Ordinary shares of £1 each	102	102	102	102

16 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£ 000	£ 000
Not later than one year	399	340
Later than one year and not later than five years	267	598
	<u>666</u>	<u>938</u>

Company

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£ 000	£ 000
Not later than one year	332	340
Later than one year and not later than five years	267	598
	<u>599</u>	<u>938</u>

17 Related party transactions

The company has taken advantage of the exemptions in FRS 102 from disclosing transactions with other wholly owned members of the group.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Control

The company's immediate parent company is ITI Engineering Group Limited, a company registered in England and Wales.

ITI Engineering Holdings Limited is the ultimate parent company, and is the largest group for which consolidated accounts including ITI Operations Limited are prepared. The consolidated accounts of ITI Engineering Holdings Limited are available from its registered office: Rotherside Road, Eckington, Sheffield, England, S21 4HL.

The directors consider the ultimate controlling party to be Alcuin GP IV LLP.