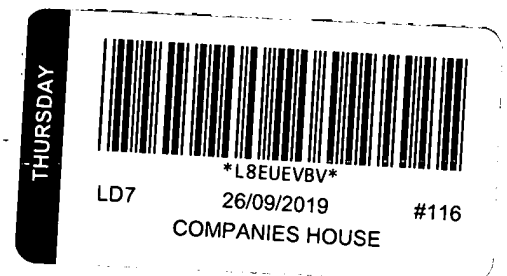


Company registration number: 08786229

ITS Technology Group Limited

Filleted Financial Statements

for the Year Ended 31 December 2018



Abrams Ashton Limited
Chartered Accountants & Statutory Auditors
7 Waterside Court
St. Helens
Merseyside
WA9 1UA

ITS Technology Group Limited

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ITS Technology Group Limited

Company Information

Directors	Mr D R A Cullen Mr D A S Baythorpe Mr R S Bevington Mr K D Gaskell
Registered office	Elm House Farm Saighton Lane Saighton Chester Cheshire CH3 6EN
Auditors	Abrams Ashton Limited Chartered Accountants & Statutory Auditors 7 Waterside Court St. Helens Merseyside WA9 1UA

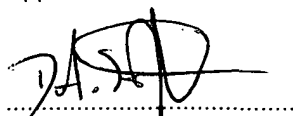
ITS Technology Group Limited
(Registration number: 08786229)
Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	4	155,283	328,084
Tangible assets	5	696,913	328,519
Investments	6	<u>2</u>	<u>2</u>
		<u>852,198</u>	<u>656,605</u>
Current assets			
Stocks		37,101	41,584
Debtors	7	607,062	632,771
Cash at bank and in hand		<u>148,036</u>	<u>708,575</u>
		792,199	1,382,930
Creditors: Amounts falling due within one year	8	<u>(2,810,639)</u>	<u>(2,218,941)</u>
Net current liabilities		<u>(2,018,440)</u>	<u>(836,011)</u>
Total assets less current liabilities		(1,166,242)	(179,406)
Creditors: Amounts falling due after more than one year	8	<u>(2,360,622)</u>	<u>(1,406,748)</u>
Net liabilities		<u>(3,526,864)</u>	<u>(1,586,154)</u>
Capital and reserves			
Called up share capital		15,002	12,931
Share premium account		6,673,709	5,505,782
Profit and loss account		<u>(10,215,575)</u>	<u>(7,104,867)</u>
		<u>(3,526,864)</u>	<u>(1,586,154)</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on 23 September 2019 and signed on its behalf by:



Mr D A S Baythorpe
Director

ITS Technology Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2018	12,931	5,505,782	(7,104,867)	(1,586,154)
Loss for the year	-	-	(3,110,708)	(3,110,708)
Total comprehensive income	-	-	(3,110,708)	(3,110,708)
New share capital subscribed	2,071	1,167,927	-	1,169,998
At 31 December 2018	15,002	6,673,709	(10,215,575)	(3,526,864)

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2017	7,864	2,648,225	1,141,375	(3,546,569)	250,895
Loss for the year	-	-	-	(3,558,298)	(3,558,298)
Other comprehensive income	-	-	(1,141,375)	-	(1,141,375)
Total comprehensive income	-	-	(1,141,375)	(3,558,298)	(4,699,673)
New share capital subscribed	5,067	2,857,557	-	-	2,862,624
At 31 December 2017	12,931	5,505,782	-	(7,104,867)	(1,586,154)

The notes on pages 4 to 10 form an integral part of these financial statements.

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

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

The address of its registered office is:

Elm House Farm Saighton Lane

Saighton

Chester

Cheshire

CH3 6EN

United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention. The financial statements are prepared in sterling, which is the functional currency of the entity.

Group accounts not prepared

The company has taken advantage of the option not to prepare consolidated financial statements contained in section 398 of the Companies Act 2006 on the basis that the company and its subsidiary undertakings comprise a small group.

Going concern

The financial statements have been prepared on a going concern basis the validity of which depends on future profitable trading, the support of the directors, certain other creditors and the ability of the company to satisfactorily conclude negotiations with external investors. Should the company be unable to continue trading, adjustments would be necessary to reduce the value of assets to their recoverable amount, to provide for further liabilities which might arise and to reclassify fixed assets as current assets. Further details are included in note 11.

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Audit report

The Independent Auditor's report was unqualified. However the auditor drew attention to the following by way of a material uncertainty related to going concern.

We draw attention to note 12 in the financial statements, which indicate that the company made a loss before taxation of £3,110,708 during the year ended 31 December 2018, and as of that date the company had net current liabilities of £2,018,440 and net liabilities of £3,526,864. As stated in note 12, these events or conditions, along with other matters set forth in note 12, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in this matter.

The name of the Senior Statutory Auditor who signed the audit report on 23 September 2019 was David Williams FCA, who signed for and on behalf of Abrams Ashton Limited.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, rebates and discounts.

Tangible assets

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

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets less their residual value, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance
Computer equipment	33% straight line

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made the life is presumed not to exceed 5 years.

Research and development costs

Research expenditure is written off in the period in which it is incurred.

Development costs are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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
Goodwill	5 years
Development costs	5 years

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Defined contribution pension obligation

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 27 (2017 - 33).

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Intangible assets

	Goodwill £	Development costs £	Total £
Cost or valuation			
At 1 January 2018	448,477	504,114	952,591
At 31 December 2018	448,477	504,114	952,591
Amortisation			
At 1 January 2018	279,499	345,008	624,507
Amortisation charge	71,978	100,823	172,801
At 31 December 2018	351,477	445,831	797,308
Carrying amount			
At 31 December 2018	97,000	58,283	155,283
At 31 December 2017	168,978	159,106	328,084

5 Tangible assets

	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2018	16,930	434,627	31,204	482,761
Additions	633	460,880	4,431	465,944
At 31 December 2018	17,563	895,507	35,635	948,705
Depreciation				
At 1 January 2018	5,270	129,072	19,900	154,242
Charge for the year	9,959	83,609	3,982	97,550
At 31 December 2018	15,229	212,681	23,882	251,792
Carrying amount				
At 31 December 2018	2,334	682,826	11,753	696,913
At 31 December 2017	11,660	305,555	11,304	328,519

6 Investments

	2018 £	2017 £
Investments in subsidiaries	2	2

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Subsidiaries	£
Cost or valuation	
At 1 January 2018	2,927
Provision	
At 1 January 2018	<u>2,925</u>
Carrying amount	
At 31 December 2018	<u><u>2</u></u>
At 31 December 2017	<u><u>2</u></u>

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	
			2018	2017
Subsidiary undertakings				
ITS Hammersmith and Fulham Limited	Elm House Farm Saughton Lane Chester CH3 6EN England and Wales	Ordinary	100%	100%
ITS Telecom Services Limited	Elm House Farm Saughton Lane Chester CH3 6EN England and Wales	Ordinary	100%	100%

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Debtors

	2018 £	2017 £
Trade debtors	456,317	305,384
Prepayments and accrued income	150,745	227,228
Other debtors	-	100,159
	<u>607,062</u>	<u>632,771</u>

8 Creditors

Creditors: amounts falling due within one year

	2018 £	2017 £
Due within one year		
Trade creditors	445,937	569,058
Taxation and social security	92,882	54,557
Accruals and deferred income	476,013	278,225
Other creditors	1,795,807	1,317,101
	<u>2,810,639</u>	<u>2,218,941</u>

Creditors include a first ranking debenture that is secured over all the assets of the company totalling £524,270 (2017 £524,270).

Creditors: amounts falling due after more than one year

	2018 £	2017 £
Due after one year		
Other creditors	<u>2,360,622</u>	<u>1,406,748</u>

Creditors include loan notes which are secured by composite guarantees and debentures over all assets of the company totalling £1,939,752 (2017 - £1,089,749) .

9 Reserves

Share premium account - This reserve records the amount above the normal nominal value for shares sold.

Profit and loss account - This reserve records retained earnings and accumulated losses.

ITS Technology Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Contingencies

The company is party to a group composite guarantee and debenture including a fixed charge over all present and future freehold and leasehold property, first fixed charge over book and other debtors, chattels, goodwill and uncalled capital, both present and future, and first floating charge over all assets and undertakings both present and future.

11 Going concern

Although the financial statements show net current liabilities of £2,018,440, net liabilities of £3,526,864 and a loss before taxation for the year of £3,110,708 the directors and certain other creditors are of the opinion that the financial statements can be prepared on the going concern basis on the grounds that they will continue to provide support and the company will trade profitably in the future.

On reviewing various similar companies within the industry, it is noted that the level of losses incurred at this stage of the companies growth cycle is considered standard and indeed slightly exceeds expectation. Operating in this capital intensive infrastructure space necessarily means that there is a time lag between investing in the building of a network and generating returns from the network. The company has an extremely supportive shareholder base that continues to invest in ITS to enable the company to monetise its pipeline of opportunities and to fund the next stage of the company's evolution. ITS has embarked on a major fund raising process. The directors have prepared a business plan through to 2028 with detailed profit and loss and balance sheet projections which demonstrates that the company will get to an EBITDA positive position.

12 Non adjusting events after the financial period

Since the year end the company has received additional funding from investors totalling £1,087,000 and £432,000 relating to debt and equity finance, respectively.