

# ITS Technology Group Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2022

Abrams Ashton Ltd  
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

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | Mr D A S Baythorpe<br>Mr K D Gaskell<br>Mr I Shervell<br>Mr A Simpson<br>Mr D G Murphy                                      |
| <b>Company secretary</b> | Mr C S Kameen   |
| <b>Registered office</b> | 6600 Cinnabar Court Daresbury Park<br>Daresbury<br>Warrington<br>Cheshire<br>WA4 4GE  |
| <b>Auditors</b>          | Abrams Ashton Ltd<br>Chartered Accountants & Statutory Auditors<br>7 Waterside Court<br>St. Helens<br>Merseyside<br>WA9 1UA |

# ITS Technology Group 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 principal activity of the company is the provision of connectivity services

### Fair review of the business

ITS Technology Group Limited (the "company") continued with the rapid expansion of its full fibre network across the UK. Focused on B2B, the company continues to increase premises passed, connecting fibre customers and growing revenue stream. This is expected to accelerate in the coming year. The company also continued to develop relationships with local authorities and infrastructure customers.

As expected, the company has incurred budgeted losses arising from a substantial expansion of its staff, systems and other overheads before generating income from new fibre customers.

Turnover has increased from £9,308,162 to £17,047,901, but following an increase in overheads referred to above, the loss before taxation increased from £3,051,861 to £8,417,449. The directors expect this trend to continue while fibre networks are being constructed. They also expect substantial long term revenue to flow from the completed networks in due course.

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

| Financial KPIs | Unit | 2022       | 2021      |
|----------------|------|------------|-----------|
| Turnover       | £    | 17,047,901 | 9,308,162 |
| Gross Profit   | £    | 10,291,500 | 4,916,847 |
| Gross Profit   | %    | 60         | 53        |
| EBITDA         | £    | (646,285)  | 210,873   |

### Principal risks and uncertainties

The main risk to the company continues to be the general condition of the economy but the directors are confident that the company is well placed to deal with any issues as they arise, given the increased value of the fibre build assets in the year.

The company has a normal exposure to price, credit, liquidity and cash flow arising from transactions which are all conducted in sterling. The company does not enter into any formally designated hedging arrangements.

The company's operations are entirely in the United Kingdom, resulting in minimal exposure to currency risk.

The company's facility agreement with Aviva is on a fixed interest rate.

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. As part of its overall prudent liquidity risk management the company actively manages its operating cash flows and the availability of funding through the facility agreements in place.

Approved and authorised by the Board on 22 December 2023 and signed on its behalf by:

.....

Mr A Simpson

Director

# ITS Technology Group Limited

## Directors' Report for the Year Ended 31 December 2022

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

### Directors of the company

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

Mr D A S Baythorpe

Mr K D Gaskell

Mr I Shervell

Mr S K McLachlan (ceased 12 April 2023)

Mr A Simpson (appointed 6 June 2022)

Mr C S Kameen (ceased 6 June 2022)

The following director was appointed after the year end:

Mr D G Murphy (appointed 12 April 2023)

### Future developments

The company's aim is to continue to achieve growth in terms of market share, businesses passed for connections and profitability in future years.

### Important non adjusting events after the financial period

In October 2023 the company secured additional funding of up to £100m from Avenue Capital to support the continued expansion of market penetration and fibre asset build.

### Disclosure of information to the auditors

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

### Reappointment of auditors

The auditors Abrams Ashton Ltd are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved and authorised by the Board on 22 December 2023 and signed on its behalf by:

.....  
Mr A Simpson  
Director

## **ITS Technology Group 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 United Kingdom 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.

# **ITS Technology Group Limited**

## **Independent Auditor's Report to the Members of ITS Technology Group Limited**

### **Opinion**

We have audited the financial statements of ITS Technology Group Limited (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss Account and Statement of Retained Earnings, Statement of Comprehensive Income, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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 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 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 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.

# **ITS Technology Group Limited**

## **Independent Auditor's Report to the Members of ITS Technology Group Limited**

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], 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 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.

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:



## ITS Technology Group Limited

### Independent Auditor's Report to the Members of ITS Technology Group Limited

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the industry sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances on non-compliance throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by;
  - making enquiries of management as to where they considered there was a susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations. To address the risk of fraud through management bias and override of controls, we;
  - performed analytical procedures to identify any unusual or unexpected relationships;
  - tested journal entries to identify unusual transactions;
  - assessed whether judgements and assumptions made in determining the accounting estimates were indicative of bias; and
  - investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities, and non-compliance with laws and regulations, we designed procedures which included, but were not limited to;
  - agreeing financial statement disclosures to underlying documentation;
  - enquiring of management as to actual and potential litigation and claims; and
  - reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the companies legal advisors.
- There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely that we would become aware of non-compliance.
- Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.
- Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment of collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **ITS Technology Group Limited**

### **Independent Auditor's Report to the Members of ITS Technology Group Limited**

#### **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.

.....  
Darren Leigh FCCA (Senior Statutory Auditor)  
For and on behalf of Abrams Ashton Ltd, Statutory Auditor  
7 Waterside Court  
St. Helens  
Merseyside  
WA9 1UA

29 December 2023

# ITS Technology Group Limited

## Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31 December 2022

|  | Note      | 2022<br>£                  | 2021<br>£                  |
|--|-----------|----------------------------|----------------------------|
| Turnover                                     |           | 17,047,901                 | 9,308,162                  |
| Cost of sales                                |           | <u>(6,756,401)</u>         | <u>(4,391,315)</u>         |
| Gross profit                                 |           | 10,291,500                 | 4,916,847                  |
| Administrative expenses                      |           | (13,847,780)               | (5,581,856)                |
| Other operating income                       | <u>3</u>  | <u>-</u>                   | <u>63,246</u>              |
| Operating loss                               | <u>4</u>  | <u>(3,556,280)</u>         | <u>(601,763)</u>           |
| Other interest receivable and similar income | <u>5</u>  | 25,810                     | 190                        |
| Interest payable and similar charges         | <u>6</u>  | <u>(4,886,979)</u>         | <u>(2,450,288)</u>         |
|  |           | <u>(4,861,169)</u>         | <u>(2,450,098)</u>         |
| Loss before tax                              |           | (8,417,449)                | (3,051,861)                |
| Taxation                                     | <u>10</u> | <u>-</u>                   | <u>178,299</u>             |
| Loss for the financial year                  |           | (8,417,449)                | (2,873,562)                |
| Retained earnings brought forward            |           | <u>(20,506,430)</u>        | <u>(17,632,868)</u>        |
| Retained earnings carried forward            |           | <u><u>(28,923,879)</u></u> | <u><u>(20,506,430)</u></u> |

## ITS Technology Group Limited

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

|  | 2022<br>£                 | 2021<br>£                 |
|--|---------------------------|---------------------------|
| Loss for the year                                    | (8,417,449)               | (2,873,562)               |
| Surplus on property, plant and equipment revaluation | <u>7,269</u>              | <u>124,547</u>            |
| Total comprehensive income for the year              | <u><u>(8,410,180)</u></u> | <u><u>(2,749,015)</u></u> |

**ITS Technology Group Limited**  
**(Registration number: 08786229)**  
**Balance Sheet as at 31 December 2022**

|  | Note      | 2022<br>£            | 2021<br>£           |
|--|-----------|----------------------|---------------------|
| <b>Fixed assets</b>  |           |                      |                     |
| Intangible assets  | <u>11</u> | 1,346,505            | 220,692             |
| Tangible assets  | <u>12</u> | 54,397,377           | 18,100,189          |
| Investments  | <u>13</u> | 13,269,748           | 2,003,890           |
| Debtors: amounts falling due after more than one year          | <u>14</u> | 4,183,613            | 2,633,613           |
|  |           | <u>73,197,243</u>    | <u>22,958,384</u>   |
| <b>Current assets</b>  |           |                      |                     |
| Stocks   | <u>15</u> | -                    | 16,044              |
| Debtors  | <u>16</u> | 20,351,705           | 5,496,804           |
| Cash at bank and in hand                                       | <u>17</u> | 1,034,784            | 473,048             |
|  |           | 21,386,489           | 5,985,896           |
| <b>Creditors: Amounts falling due within one year</b>          | <u>18</u> | <u>(13,494,920)</u>  | <u>(7,204,723)</u>  |
| <b>Net current assets/(liabilities)</b>                        |           | <u>7,891,569</u>     | <u>(1,218,827)</u>  |
| <b>Total assets less current liabilities</b>                   |           | 81,088,812           | 21,739,557          |
| <b>Creditors: Amounts falling due after more than one year</b> | <u>18</u> | <u>(102,649,507)</u> | <u>(34,890,072)</u> |
| <b>Net liabilities</b>   |           | <u>(21,560,695)</u>  | <u>(13,150,515)</u> |
| <b>Capital and reserves</b>                                    |           |                      |                     |
| Called up share capital  | <u>20</u> | 16,858               | 16,858              |
| Share premium reserve  | <u>21</u> | 7,158,433            | 7,158,433           |
| Revaluation reserve  | <u>21</u> | 187,893              | 180,624             |
| Retained earnings  | <u>21</u> | <u>(28,923,879)</u>  | <u>(20,506,430)</u> |
| Shareholders' deficit  |           | <u>(21,560,695)</u>  | <u>(13,150,515)</u> |

Approved and authorised by the Board on 22 December 2023 and signed on its behalf by:

.....  
Mr A Simpson  
Director

# ITS Technology Group Limited

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

### 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:  
6600 Cinnabar Court Daresbury Park  
Daresbury  
Warrington  
Cheshire  
WA4 4GE  
England

### 2 Accounting policies

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

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

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the notes to the accounts, certain items are shown at their fair value. The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Summary of disclosure exemptions

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

- No cash flow statement has been presented for the company
- Disclosures in respect of financial instruments have not been presented
- No disclosure has been given for the aggregate remuneration of key management and personnel.

#### Name of parent of group

These financial statements are consolidated in the financial statements of ITS (Holdco) Limited.

The financial statements of ITS (Holdco) Limited may be obtained from 6600 Cinnabar Court, Daresbury Park, Daresbury, Warrington, England, WA4 4GE.

#### 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, and certain other long term creditors disclosed in note 25. 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 28.

# ITS Technology Group Limited

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

### Exemption from preparing group accounts

The financial statements contain information about ITS Technology Group Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, ITS (Holdco) 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.

### Government grants

Grants are credited to deferred revenue. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

### Research and development costs

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

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

An increase in the carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

### 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 -Passive network | 5% straight line             |
| Plant and machinery -Active network  | 20% straight line            |
| Fixtures and fittings                | 5, 10 and 20% straight line  |
| Computer equipment                   | 5 and 20% straight line      |
| Motor vehicles                       | 20% straight line            |
| Leasehold property improvements      | 10 and 20% straight line     |

# ITS Technology Group Limited

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

### 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.

### Development costs

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

### 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                      |
| Computer software | 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.

### 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

Contributions to defined contribution plans are recognised as an expense in the period in which they are paid.

## 3 Other operating income

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

|                              | 2022<br>£ | 2021<br>£ |
|------------------------------|-----------|-----------|
| Government grants receivable | -         | 63,246    |



# ITS Technology Group Limited

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

### 4 Operating loss

Arrived at after charging/(crediting)

|                               | 2022<br>£ | 2021<br>£ |
|-------------------------------|-----------|-----------|
| Depreciation expense          | 2,593,875 | 789,084   |
| Amortisation expense          | 316,120   | 23,552    |
| Group company loans provision | 739       | 4,276     |

### 5 Other interest receivable and similar income

|                                  | 2022<br>£ | 2021<br>£ |
|----------------------------------|-----------|-----------|
| Interest income on bank deposits | 25,810    | 190       |

### 6 Interest payable and similar expenses

|   | 2022<br>£ | 2021<br>£ |
|---|-----------|-----------|
| Interest expense on other finance liabilities | 4,886,979 | 2,450,288 |

### 7 Staff costs

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

|  | 2022<br>£  | 2021<br>£ |
|--|------------|-----------|
| Wages and salaries                         | 9,005,867  | 3,704,021 |
| Social security costs                      | 977,110    | 416,308   |
| Other short-term employee benefits         | 13,898     | 20,044    |
| Pension costs, defined contribution scheme | 305,702    | 98,970    |
|  | 10,302,577 | 4,239,343 |

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

|                                  | 2022<br>No. | 2021<br>No. |
|----------------------------------|-------------|-------------|
| Finance management and marketing | 28          | 14          |
| Sales                            | 17          | 8           |
| Networks and programming         | 79          | 38          |
|                                  | 124         | 60          |

# ITS Technology Group Limited

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

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

|              | 2022<br>£ | 2021<br>£ |
|--------------|-----------|-----------|
| Remuneration | 859,054   | 467,172   |

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

|   | 2022<br>No. | 2021<br>No. |
|---|-------------|-------------|
| Accruing benefits under money purchase pension scheme | 3           | 3           |

In respect of the highest paid director:

|              | 2022<br>£ | 2021<br>£ |
|--------------|-----------|-----------|
| Remuneration | 633,003   | 259,250   |

### 9 Auditors' remuneration

|                                   | 2022<br>£ | 2021<br>£ |
|-----------------------------------|-----------|-----------|
| Audit of the financial statements | 14,400    | 14,300    |

### 10 Taxation

Tax charged/(credited) in the income statement

|                         | 2022<br>£ | 2021<br>£ |
|-------------------------|-----------|-----------|
| <b>Current taxation</b> |           |           |
| UK corporation tax      | -         | (178,299) |

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

The differences are reconciled below:

|                                  | 2022<br>£   | 2021<br>£   |
|----------------------------------|-------------|-------------|
| Loss before tax                  | (8,417,449) | (3,051,861) |
| Corporation tax at standard rate | (1,599,315) | (579,854)   |
| Effect of tax losses             | 1,599,315   | 401,555     |
| Total tax credit                 | -           | (178,299)   |

# ITS Technology Group Limited

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

### 11 Intangible assets

|                               | Goodwill<br>£ | Development<br>costs<br>£ | Internally<br>generated<br>software<br>development<br>costs<br>£ | Total<br>£ |
|-------------------------------|---------------|---------------------------|--|------------|
| <b>Cost or valuation</b>      |               |                           |  |            |
| At 1 January 2022             | 448,477       | 504,114                   | 261,025  | 1,213,616  |
| Additions acquired separately | -             | -                         | 1,441,933  | 1,441,933  |
| At 31 December 2022           | 448,477       | 504,114                   | 1,702,958  | 2,655,549  |
| <b>Amortisation</b>           |               |                           |  |            |
| At 1 January 2022             | 448,477       | 504,114                   | 40,333   | 992,924    |
| Amortisation charge           | -             | -                         | 316,120  | 316,120    |
| At 31 December 2022           | 448,477       | 504,114                   | 356,453  | 1,309,044  |
| <b>Carrying amount</b>        |               |                           |  |            |
| At 31 December 2022           | -             | -                         | 1,346,505  | 1,346,505  |
| At 31 December 2021           | -             | -                         | 220,692  | 220,692    |

# ITS Technology Group Limited

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

### 12 Tangible assets

|                           | Short leasehold<br>land and<br>buildings<br>£ | IP Addresses<br>£ | Fixtures and<br>fittings<br>£ | Plant and<br>machinery<br>£ | Computer<br>Equipment<br>£ | Motor vehicles<br>£ | Total<br>£  |
|---------------------------|---|-------------------|-------------------------------|-----------------------------|----------------------------|---------------------|-------------|
| <b>Cost or valuation</b>  |   |                   |                               |                             |                            |                     |             |
| At 1 January 2022         | -   | 318,659           | 31,128                        | 19,151,170                  | 129,295                    | 8,253               | 19,638,505  |
| Revaluations              | -   | 7,269             | -                             | -                           | -                          | -                   | 7,269       |
| Additions                 | 556,100                                       | -                 | 108,074                       | 39,664,899                  | 363,804                    | -                   | 40,692,877  |
| Transfers between classes | -   | 293,126           | -                             | (293,126)                   | -                          | -                   | -           |
| Transfers                 | -   | -                 | -                             | (1,809,083)                 | -                          | -                   | (1,809,083) |
| At 31 December 2022       | 556,100                                       | 619,054           | 139,202                       | 56,713,860                  | 493,099                    | 8,253               | 58,529,568  |
| <b>Depreciation</b>       |   |                   |                               |                             |                            |                     |             |
| At 1 January 2022         | -   | -                 | 23,175                        | 1,449,530                   | 61,328                     | 4,283               | 1,538,316   |
| Charge for the year       | 31,980  | -                 | 8,827                         | 2,484,288                   | 67,929                     | 851                 | 2,593,875   |
| At 31 December 2022       | 31,980  | -                 | 32,002                        | 3,933,818                   | 129,257                    | 5,134               | 4,132,191   |
| <b>Carrying amount</b>    |   |                   |                               |                             |                            |                     |             |
| At 31 December 2022       | 524,120                                       | 619,054           | 107,200                       | 52,780,042                  | 363,842                    | 3,119               | 54,397,377  |
| At 31 December 2021       | -   | 318,659           | 7,953                         | 17,701,640                  | 67,967                     | 3,970               | 18,100,189  |

# ITS Technology Group Limited

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

### Revaluation

The fair value of the company's IP Addresses was revalued on 31 December 2022. An independent valuer was not involved.

Had this class of asset been measured on a historical cost basis, the carrying amount would have been £138,036 (2021 - £138,036).

### 13 Investments

|                               | 2022<br>£         | 2021<br>£        |
|-------------------------------|-------------------|------------------|
| Investments in subsidiaries   | 11,043,860        | 2                |
| Investments in joint ventures | 2,225,888         | 2,003,888        |
|                               | <u>13,269,748</u> | <u>2,003,890</u> |
|                               |                   | £                |

### Subsidiaries

#### Cost or valuation

|                     |                   |
|---------------------|-------------------|
| At 1 January 2022   | 2,927             |
| Additions           | <u>11,043,858</u> |
| At 31 December 2022 | 11,046,785        |

#### Provision

|                   |              |
|-------------------|--------------|
| At 1 January 2022 | <u>2,925</u> |
|-------------------|--------------|

#### Carrying amount

|                     |                   |
|---------------------|-------------------|
| At 31 December 2022 | <u>11,043,860</u> |
| At 31 December 2021 | <u>2</u>          |

### Joint ventures

£

#### Cost

|                     |                  |
|---------------------|------------------|
| At 1 January 2022   | 2,003,888        |
| Additions           | <u>222,000</u>   |
| At 31 December 2022 | <u>2,225,888</u> |

#### Provision

#### Carrying amount

|                     |                  |
|---------------------|------------------|
| At 31 December 2022 | <u>2,225,888</u> |
| At 31 December 2021 | <u>2,003,888</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:

# ITS Technology Group Limited

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

| Undertaking                           | Registered office  | Holding  | Proportion of voting rights and shares held |      |
|---------------------------------------|--|----------|---|------|
|                                       |  |          | 2022  | 2021 |
| Subsidiary undertakings               |  |          |   |      |
| ITS Hammersmith and Fulham Limited    | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 100%  | 100% |
|                                       | England and Wales  |          |   |      |
| ITS Telecom Services Limited          | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 100%  | 100% |
|                                       | England and Wales  |          |   |      |
| ITS Nottingham Limited                | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 100%  | 100% |
|                                       | England and Wales  |          |   |      |
| Bnet Ultra Limited                    | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 100%  | 100% |
|                                       | England and Wales  |          |   |      |
| NextGenAccess Ltd                     | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 100%  | 0%   |
|                                       | England and Wales  |          |   |      |
| Joint ventures                        |  |          |   |      |
| Liverpool City Region Digital Limited | 6600 Cinnabar Court<br>Daresbury Park<br>Warrington<br>WA4 4GE                         | Ordinary | 25%   | 25%  |
|                                       | England and Wales  |          |   |      |
| Digital Greenwich Connect Limited     | Building 1063 Cornforth Drive<br>Kent Science Park<br>Sittingbourne<br>Kent<br>ME9 8PX | Ordinary | 50%   | 50%  |
|                                       | England and Wales  |          |   |      |

# ITS Technology Group Limited

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

### 14 Other financial assets (current and non-current)

Included in fixed assets is a loan to Liverpool City Region Digital Limited of £4,183,613 (2021 £2,633,613). The loan is receivable in February 2036 and interest is payable at the base rate of Barclays Bank plc.

### 15 Stocks

|                   | 2022<br>£ | 2021<br>£ |
|-------------------|-----------|-----------|
| Other inventories | -         | 16,044    |

### 16 Debtors

|   | 2022<br>£         | 2021<br>£        |
|---|-------------------|------------------|
| Trade debtors   | 11,694,993        | 5,091,749        |
| Amounts owed by group undertakings and undertakings in which the company has a participating interest | 7,129,822         | -                |
| Other debtors   | 1,262,351         | 84,146           |
| Prepayments and accrued income  | 264,539           | 320,909          |
|   | <u>20,351,705</u> | <u>5,496,804</u> |

### 17 Cash and cash equivalents

|              | 2022<br>£        | 2021<br>£      |
|--------------|------------------|----------------|
| Cash at bank | <u>1,034,784</u> | <u>473,048</u> |

# ITS Technology Group Limited

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

### 18 Creditors

|   | 2022<br>£          | 2021<br>£         |
|---|--------------------|-------------------|
| <b>Due within one year</b>              |                    |                   |
| Trade creditors                         | 4,552,723          | 1,654,733         |
| Social security and other taxes         | 254,238            | 155,528           |
| Other creditors                         | 5,758,248          | 4,111,374         |
| Accruals and deferred income            | 2,929,711          | 1,283,088         |
|   | <u>13,494,920</u>  | <u>7,204,723</u>  |
| <b>Due after one year</b>               |                    |                   |
| Other non-current financial liabilities | <u>102,649,507</u> | <u>34,890,072</u> |

### 19 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £305,702 (2021 - £98,970).

### 20 Share capital

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

|                        | 2022      |        | 2021      |        |
|------------------------|-----------|--------|-----------|--------|
|                        | No.       | £      | No.       | £      |
| Ordinary of £0.01 each | 1,685,768 | 16,858 | 1,685,768 | 16,858 |

### 21 Reserves

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

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

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

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:



## ITS Technology Group Limited

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

|  | Revaluation<br>reserve<br>£ | Total<br>£ |
|--|-----------------------------|------------|
| Surplus/deficit on property, plant and equipment revaluation | 7,269                       | 7,269      |

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

|  | Revaluation<br>reserve<br>£ | Total<br>£ |
|--|-----------------------------|------------|
| Surplus/deficit on property, plant and equipment revaluation | 124,547                     | 124,547    |

#### 22 Loans and borrowings

Included in the loans and borrowings are the following amounts due after more than five years:

|   | 2022<br>£   | 2021<br>£  |
|---|-------------|------------|
| After more than five years not by instalments | 102,649,507 | 34,890,072 |

#### Borrowings due after five years

The loan is secured by a fixed and floating charge over the assets of the company and repayable in full on 14 April 2037. Interest of 8% is chargeable on the loan.

#### 23 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

|   | 2022<br>£ | 2021<br>£ |
|---|-----------|-----------|
| Not later than one year                           | 196,381   | -         |
| Later than one year and not later than five years | 554,475   | -         |
| Later than five years                             | 67,558    | -         |
|   | 818,414   | -         |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £61,031 (2021 - £Nil).

#### 24 Contingent liabilities

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.

# **ITS Technology Group Limited**

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

### **25 Related party transactions**

Included in creditors due after more than one year as at 31 December 2022 is £102,649,507 (2021 £34,890,072) due to Aviva Investors Infrastructure Income No. 6B Limited, the majority shareholder of ITS (Holdco) Ltd. Interest payable during the year at 8% was £4,857,054 (2021 3,624,910) and included in creditors is £4,232,789 (2021 £3,624,910).

The company had the following transactions and balances with joint venture company, Liverpool City Regional Digital Limited, Sales £1,749,456 (2021 £714,756), Loan receivable £4,183,613 (2021 £2,633,613) and Trade debtor £622,840 (2021 £19,200).

The company had the following transactions and balances with joint venture company, Digital Greenwich Connect Limited, Sales £762,489 and Trade debtor £914,987.

The company has relied on the exemption not to disclose transactions with other wholly owned group companies.

### **26 Parent and ultimate parent undertaking**

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

These financial statements are available upon request from 6600 Cinnabar Court, Daresbury Park, Daresbury, Warrington, Cheshire WA4 4GE

The parent of the largest group in which these financial statements are consolidated is ITS (Holdco) Limited, incorporated in England and Wales.

### **27 Non adjusting events after the financial period**

In October 2023 the company secured additional funding of up to £100m from Avenue Capital to support the continued expansion of market penetration and fibre asset build.

# **ITS Technology Group Limited**

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

### **28 Going concern**

During 2022 ITS Technology Group Limited (ITS) secured additional significant investment from Aviva Investors, the global asset management business of Aviva PLC, to fund and accelerate the company's full fibre roll out plan. The need for fibre in the UK is now at the forefront of the political agenda and ITS has a team, the capability and now the financial means to realise this market opportunity. The Aviva facility provides ITS with capital investment to fund the network build and working capital to cover financial losses whilst ITS grows and matures as a business. ITS is in the early stages of its development and the directors are satisfied with the progress to date, notwithstanding current year losses before tax totalling £8,417,449 sustained and net liabilities as 31 December 2022 of £21,560,695 (2021 £13,150,515). The directors have received written notification from Aviva that the facility agreement, of which £102,649,507 has been utilised as at 31 December 2022 together with additional funding received in 2023 from Avenue Capital (referred to in Note 27) enables the company to meet its obligations for at least 12 months from the date of these financial statements are signed. On this basis the directors have concluded that the company will be able to meet its liabilities as they fall due for the foreseeable future and hence it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

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