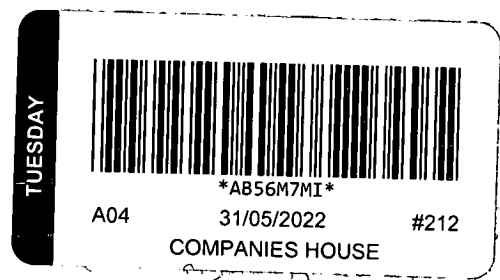


Registration number: 04608506

ITI Operations Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



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ITI Operations Limited

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ITI Operations Limited

Company Information

Directors P W Bayliss

A I Mills

Company secretary C E Harrad

Registered office Rotherside Road
Eckington
Sheffield
S21 4HL

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

Bankers Virgin Money
94-96 Briggate
Leeds
LS1 6NP

ITI Operations Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Fair review of the business

The principal activity of the business is the provision of control systems integration, data analysis, simulation and digitisation to the UK energy industry.

ITI has performed very 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 recurring revenue from our established service and support business increased again from 2020 to 53% of total sales.

Gross margin performance was strong in 2021 returning to pre pandemic levels of 45%, mixed with increased sales following the ongoing delivery of a major nuclear infrastructure project. This progress is in line with our organic growth strategy of delivering major projects to secure ongoing long term end user customers.

Strong sales continued in 2021 and the forward workload carried into 2022 was 8% higher than the previous year which saw significant volumes brought into 2021.

The approach of diversifying our markets delivered a broader spread of new sales across the spectrum, with significant wins in nuclear new build, in renewables, and in transmission and distribution to augment our position in oil, gas and across the civil nuclear generating fleet.

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, Glasgow, Warrington and Sheffield.

Research and development (R&D)

Increased turnover has meant R&D activities have increased with total spend of £2,159,732 compared to £1,899,338 in 2020. 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 company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Turnover	£'000	12,499	9,781
Gross profit	£'000	5,606	3,672
Gross profit percentage	%	45	38
Net profit before tax	£'000	1,527	747
EBITDA	£'000	1,623	945

ITI Operations Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

The Company'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 Company has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the Company, 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 Company's Directors and senior management oversee the management of risks in line with the policies and procedures set by the Company.

Price risk

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

Liquidity risk

Management reviews the liquidity position of the Company 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 significantly earlier than indicated.

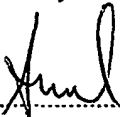
Interest rate risk

The Company has only limited exposure to interest rate risk as it has no external borrowings.

Foreign currency risk

The Company has limited exposure to foreign currency risk.

Approved by the Board on 18 May 2022 and signed on its behalf by:


.....
A I Mills
Director

ITI Operations Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activity

The company is 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.

Directors of the company

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

R Holden (ceased 1 March 2022)

A I Mills

The following director was appointed after the year end:

P W Bayliss (appointed 1 March 2022)

Future developments

The company's strategy is to build on its strengths in digital operations and safety & control, and to grow in line with our mission to be the preferred technology partner of national infrastructure and industry, delivering improvements, innovation and excellence. The business ambition is to provide local account management and support to all customers across the UK. ITI recognises the importance of continual innovation and invests to provide innovative solutions to our customers to enhance their operations.

In addition to organic growth of the business achieved by offering a wider range of products and services to all our customers, appropriate acquisitions continue to be targeted to accelerate growth in adjacent or in new sectors.

We will continue to place a high emphasis on minimising our environmental impact, ensuring safety and security, engaging our staff, and supporting our communities. We will focus on being an employer of choice, by providing a flexible and attractive reward and benefit structure, and clear paths for people development.

We will take specific steps to improve our understanding of our customers' needs and enhance customer intimacy, enabling us to channel our attention appropriately and to further establish our credibility as a preferred partner. We will also ensure that we strengthen our relationships with our key technology partners so that through mutual trust and co-operation we are able to improve our offerings and satisfy the needs of our customers in ways that are innovative and reliably excellent.

The company's outlook for 2022 is positive, the pipeline of the business is in a strong position with large infrastructure spending across our established end user customers.

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.

ITI Operations Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Disclosure of information to the auditors

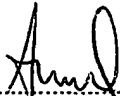
Each director of the company who held office at the date of the approval of this Annual Report, as set out above, confirms that:

- 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 18 May 2022 and signed on its behalf by:


.....
A I Mills
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.

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

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 'company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor 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:

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:

ITI Operations Limited

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

- 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.


.....

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: 27 May 2022

ITI Operations Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	2	12,499	9,781
Cost of sales		<u>(6,893)</u>	<u>(6,109)</u>
Gross profit		5,606	3,672
Distribution costs		(740)	(511)
Administrative expenses		(3,216)	(2,514)
Exceptional expenses	4	(186)	(110)
Other operating income		<u>63</u>	<u>218</u>
Operating profit	3	1,527	755
Interest payable and similar expenses	5	<u>-</u>	<u>(8)</u>
Profit before tax		1,527	747
Tax on profit	7	<u>262</u>	<u>554</u>
Profit for the financial year		<u>1,789</u>	<u>1,301</u>
Total comprehensive income for the year		<u>1,789</u>	<u>1,301</u>

The above results were derived from continuing operations.

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

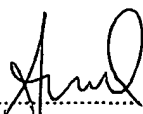
ITI Operations Limited

(Registration number: 04608506)

Balance Sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	8	15	15
Tangible assets	9	267	317
Investments	10	5,298	5,298
		5,580	5,630
Current assets			
Debtors	11	5,613	5,041
Cash at bank and in hand		1,341	1,249
		6,954	6,290
Creditors: Amounts falling due within one year	12	(4,534)	(4,705)
Net current assets		2,420	1,585
Total assets less current liabilities		8,000	7,215
Creditors: Amounts falling due after more than one year	12	-	(1,000)
Provisions for liabilities	13	(22)	(26)
Net assets		7,978	6,189
Capital and reserves			
Called up share capital		-	-
Profit and loss account		7,978	6,189
Shareholders' funds		7,978	6,189

Approved and authorised by the Board on 18 May 2022 and signed on its behalf by:



 A I Mills
 Director

ITI Operations Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	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	<u>1,789</u>	<u>1,789</u>
At 31 December 2021	<u><u>7,978</u></u>	<u><u>7,978</u></u>

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	170	4,718	4,888
Profit for the year	-	1,301	1,301
Realisation of revaluation gains on sales of tangible fixed assets	(170)	170	-
Total comprehensive income	<u>(170)</u>	<u>1,471</u>	<u>1,301</u>
At 31 December 2020	<u><u>-</u></u>	<u><u>6,189</u></u>	<u><u>6,189</u></u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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. Monetary amounts in these financial statements are rounded to the nearest £'000. The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. 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.

The financial statements of the company are consolidated in the financial statements of ITI Engineering Holdings Limited. These consolidated financial statements are available from its registered office, Rotherside Road, Eckington, Sheffield, S21 4HL.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

Going concern

After due consideration of all relevant factors the directors have a reasonable expectation that the company 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.

Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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 company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the 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.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1. Accounting policies (continued)

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

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

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

Investments

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

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.

Share capital

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

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

Defined contribution pension obligation

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

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.

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.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 Saker Solutions Limited by the Company in the prior 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 £1,000,000

2 Revenue

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

	2021 £'000	2020 £'000
Supply of technology services	<u>12,499</u>	<u>9,781</u>

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

	2021 £'000	2020 £'000
United Kingdom	12,457	9,726
Europe	27	55
America	15	-
	<u>12,499</u>	<u>9,781</u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Operating profit

Arrived at after charging/(crediting)

	2021 £'000	2020 £'000
Depreciation expense	88	70
Amortisation expense	8	10
Research and development cost	2,160	1,899
Foreign currency (gains)/losses	2	3
Auditor's remuneration - The audit of the company's annual accounts	16	36
Grants received - UK government Coronavirus retention scheme	(63)	(147)
Grants received - UK government R&D enhanced credit scheme	-	(71)
	-	-

4 Exceptional items

Arrived at after charging/(crediting)

	2021 £'000	2020 £'000
Exceptional profit on sale of tangible assets	-	(215)
Restructuring costs	60	41
IT migration and rebranding	-	284
Integration expense	125	-
	125	-

Included in exceptional costs are £60,000 (2020: £41,000) in respect of redundancy costs and £Nil (2020: £284,000) in respect of IT migration and rebranding costs. The IT migration and rebranding costs were required following the management buyout and the need to set up new IT systems and distinguish the company from the previous owner.

The exceptional profit on disposal represents the sale of the company's freehold property in the prior year.

The exceptional integration expense represents the cost to the company of integrating the recently acquired subsidiary, Saker Solutions, into the group.

5 Interest payable and similar expenses

	2021 £'000	2020 £'000
Other interest paid	-	8
	-	8

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Staff costs

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

	2021	2020
	£'000	£'000
Wages and salaries	4,922	4,426
Social security costs	555	453
Pension costs	599	495
	<u>6,076</u>	<u>5,374</u>

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

	2021	2020
	No.	No.
Production	92	91
Administration and support	15	15
Distribution	13	13
	<u>120</u>	<u>119</u>

All directors are remunerated by the company's immediate parent, ITI Engineering Group Limited. Remuneration paid to the directors in the year totalled £221,718 (2020: £270,464) and pension contributions totalled £83,175 (£2020: £57,400). Included within these totals are remuneration of £140,517 (2020: £156,131) and pension contributions £35,454 (2020: £26,152) in respect of the highest paid director.

7 Taxation

Tax charged/(credited) in the income statement

	2021	2020
	£'000	£'000
Current taxation		
UK corporation tax	(180)	(255)
UK corporation tax adjustment to prior periods	(78)	(244)
	<u>(258)</u>	<u>(499)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(4)	(55)
Tax receipt in the income statement	<u>(262)</u>	<u>(554)</u>

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£'000	£'000
Profit before tax	<u>1,527</u>	<u>747</u>
Corporation tax at standard rate	290	142
Adjustment in respect of prior periods	(78)	(244)
Effect of expense not deductible in determining taxable profit	1	2
Deferred tax expense relating to changes in tax rates or laws	-	10
Tax increase from effect of capital allowances and depreciation	3	1
Tax decrease from effect of adjustment in research and development tax credit	-	(13)
Surrender of tax losses for research and development tax credit refund	55	79
Tax decrease from effect of profit on disposal of fixed assets	-	(126)
Additional deduction for research and development expenditure	<u>(533)</u>	<u>(405)</u>
Total tax credit	<u>(262)</u>	<u>(554)</u>

Deferred tax

Deferred tax assets and liabilities

	Asset	Liability
	£'000	£'000
2021		
Accelerated capital allowances	35	-
Short terms timing difference	-	(13)
	<u>35</u>	<u>(13)</u>

	Asset	Liability
	£'000	£'000
2020		
Accelerated capital allowances	34	-
Short terms timing difference	-	(8)
	<u>34</u>	<u>(8)</u>

In March 2021, the UK government announced a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023, which was substantively enacted on 24 May 2021.

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Intangible assets

	Software costs £'000
Cost or valuation	
At 1 January 2021	96
Additions acquired separately	8
At 31 December 2021	104
Amortisation	
At 1 January 2021	81
Amortisation charge	8
At 31 December 2021	89
Carrying amount	
At 31 December 2021	15
At 31 December 2020	15

9 Tangible assets

	Plant and machinery, fixtures and fittings £'000
Cost or valuation	
At 1 January 2021	1,786
Additions	38
At 31 December 2021	1,824
Depreciation	
At 1 January 2021	1,469
Charge for the year	88
At 31 December 2021	1,557
Carrying amount	
At 31 December 2021	267
At 31 December 2020	317

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Investments

	2021	2020
	£'000	£'000
Investments in subsidiaries	5,298	5,298
Subsidiaries		£'000
Cost or valuation		
At 1 January 2021 and at 31 December 2021		5,298
Carrying amount		
At 31 December 2021		5,298
At 31 December 2020		5,298

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	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
ITI Scomag Limited	United Kingdom	Ordinary	100%	100%
Saker Solutions Limited	United Kingdom	Ordinary	100%	100%

Subsidiary undertakings

ITI Scomag Limited

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

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

Saker Solutions Limited

The principle activity of Saker Solutions Limited is consultancy.

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

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Debtors

	Note	2021 £'000	2020 £'000
Trade debtors		2,155	2,664
Other debtors		15	58
Prepayments		476	260
Gross amount due from customers for contract work		2,787	1,804
Income tax asset	7	180	255
		5,613	5,041

12 Creditors

	Note	2021 £'000	2020 £'000
Due within one year			
Trade creditors		738	559
Amounts due to group undertakings	18	1,179	1,258
Social security and other taxes		473	693
Other creditors		1,043	1,570
Payments received on account		644	198
Accruals		457	427
		4,534	4,705
Due after one year			
Other creditors		-	1,000

Included in other creditors is £1,000,000 (2020: £2,500,000) in relation to deferred consideration for the acquisition of Saker Solutions Limited.

13 Provisions for liabilities

	Deferred tax £'000
At 1 January 2021	26
Charged to profit or loss	(4)
At 31 December 2021	22

ITI Operations Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 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 £599,431 (2020 - £495,374).

Contributions totalling £53,152 (2020 - £42,975) were payable to the scheme at the end of the year and are included in other creditors.

15 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>

16 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2021	2020
	£'000	£'000
Not later than one year	340	296
Later than one year and not later than five years	<u>598</u>	<u>646</u>
	<u>938</u>	<u>942</u>

17 Financial commitments, guarantees and contingent liabilities

Borrowings of ITI Engineering Group Limited, the company's parent company, are secured via a fixed and floating charge on the assets of the ITI Engineering Holdings Limited group including ITI Operations Limited. At 31 December 2021, these borrowings total £13,111,000 (2020: £12,847,000).

18 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 2021 (continued)

19 Ultimate controlling party

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 smallest and 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.