

Company Registration No. 04608506 (England and Wales)

**ITI OPERATIONS LIMITED (FORMERLY
SERVELEC CONTROLS LIMITED)**
**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**



ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

COMPANY INFORMATION

Directors	Mr R Holden Mr A I Mills
Company number	04608506
Registered office	Rotherside Road Eckington Sheffield S21 4HL
Auditor	RSM UK Audit LLP Chartered Accountants Suite A 7th Floor, East West Building 2 Tollhouse Hill Nottingham NG1 5FS
Bankers	Virgin Money 94-96 Briggate Leeds LS1 6NP

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Principal activity and fair review of the business

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.

The company performed well in the year, albeit with a reduced turnover and net profit due to the challenges brought by the COVID-19 pandemic. Gross margin as a percentage of turnover reduced in comparison to 2019 due to reduced site working and inefficiencies from remote working. Strong sales in the latter part of the year resulted in a forward workload carried into 2021 that was over 60% higher than the previous year. Recurring revenues from our established service and support business provided a strong base on which were layered numerous projects.

Our 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 Upstream Oil & Gas and across the civil nuclear fleet.

The acquisition of Saker Solutions Limited in the final quarter supports our digital operations growth and software development plans. Saker Solutions delivers decision support tools and services to clients using prescriptive analytics and serves a range of infrastructure sectors.

Mid-year the company re-branded as Innovation Transforming Industry (ITI). The transition to ITI lets us focus on our core strengths and identify areas of investment and growth under a common purpose and strategy, helping deliver a green, clean and digital future for industry's largest owner operators.

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

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

Research and development

Despite reduced turnover, R&D activities were consistent in the year with a total spend of £1,899,338 compared to £1,937,185 in 2019. We develop and integrate bespoke systems for national infrastructure by bringing together specialist hardware, software and engineering to provide control, monitoring and safety solutions.

Key performance indicators

	2020	2019
	£'000	£'000
Turnover	9,781	10,934
Gross profit	3,672	4,840
Gross profit percentage	37.5%	44.3%
Net profit before tax	747	1,774
Earnings before interest, tax, depreciation, amortisation and exceptional costs ("EBITDA")	945	1,835

COVID-19 affected the company's markets by reducing demand for oil & gas, causing projects to be deferred, and by severely constraining site-based working resulting in significant delays to installation and commissioning activities. These factors caused turnover to be lower than in 2019 while inefficiencies brought about by changed working practices brought about by working from home and to accommodate social distancing within the offices adversely affected gross margin percentages. However, savings made to operating costs have resulted in the net profit before tax and the EBITDA not bearing the full impact of the reduction in gross profit.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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, delivering improvements, innovation and excellence.

In addition to organic growth of the business achieved by offering a wider range of products and services to all our customers, appropriate acquisitions will 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 2021 is positive, with much of the work that customers postponed in 2020 being planned for 2021 and into 2022.

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.

The directors have identified specific key risks connected to going concern, details of which is given in note 1 of these financial statements.

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.

Cash flow risk

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

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.

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.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

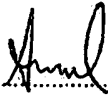
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial risk management objectives and policies (continued)

Foreign currency risk

The company has limited exposure to foreign currency risk.

On behalf of the board



.....
Mr A I Mills
Director

Date: 02-06-21.....

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Results and dividends

The results for the year are set out on page 9.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R Holden

Mr A I Mills

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of It has done so in respect of business review, future developments and principal risks.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

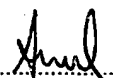
Going concern

See note 1 of these financial statements for information regarding the basis of going concern.

Change of name

On 7 August 2020 the company changed its name from Servelec Controls Limited to ITI Operations Limited.

On behalf of the board



Mr A I Mills

Director

Date: 01-06-21

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

Opinion

We have audited the financial statements of ITI Operations Limited (Formerly Servelec Controls Limited) (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED) (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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 directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED) (CONTINUED)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from tax advisors.

The most significant laws and regulations that have an indirect impact are compliance with certain ISO quality standards and GDPR. We reviewed the ISO Certificates of Registration, made enquires of appropriate management, reviewed board meeting minutes, reviewed relevant correspondence, made enquires of those charged with governance, reviewed legal expenditure in the year, and also reviewed the systems and controls which are in place to capture material non-compliance with significant laws and regulations.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the preparation of the financial statements, and in particular with regard to revenue recognition.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities> 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.

RSM UK Audit LLP

Richard King FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A
7th Floor, East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

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3 June 2021

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
Turnover	3	9,781	10,934
Cost of sales		(6,109)	(6,094)
Gross profit		3,672	4,840
Distribution costs		(511)	(543)
Administrative expenses		(2,514)	(2,538)
Other operating income	4	218	166
Exceptional items	5	(110)	(153)
Operating profit	8	755	1,772
Interest receivable and similar income	9	-	2
Interest payable and similar expenses	10	(8)	-
Profit before taxation		747	1,774
Tax on profit	11	554	(126)
Profit for the financial year		1,301	1,648

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12		15		7
Tangible assets	13		317		716
Investments	14		5,298		1,476
			<u>5,630</u>		<u>2,199</u>
Current assets					
Debtors	16	5,041		4,745	
Cash at bank and in hand		1,249		1,875	
		<u>6,290</u>		<u>6,620</u>	
Creditors: amounts falling due within one year	17	(4,705)		(3,850)	
Net current assets			<u>1,585</u>		<u>2,770</u>
Total assets less current liabilities			<u>7,215</u>		<u>4,969</u>
Creditors: amounts falling due after more than one year	18		(1,000)		-
Provisions for liabilities	19		(26)		(81)
Net assets			<u>6,189</u>		<u>4,888</u>
Capital and reserves					
Called up share capital	22		-		-
Revaluation reserve	23		-		170
Profit and loss reserves	23		6,189		4,718
Total equity			<u>6,189</u>		<u>4,888</u>

The financial statements were approved by the board of directors and authorised for issue on 02-06-21 and are signed on its behalf by:



Mr A I Mills
Director

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Revaluation reserve	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 January 2019	170	3,070	3,240
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	1,648	1,648
Balance at 31 December 2019	170	4,718	4,888
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	1,301	1,301
Realisation of revaluation gains on sale of tangible fixed assets	(170)	170	-
Balance at 31 December 2020	-	6,189	6,189

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

ITI Operations Limited (Formerly Servelec Controls Limited) is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Rotherside Road, Eckington, Sheffield, S21 4HL.

The company's principal activities and nature of its operations are disclosed in the Strategic Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the adoption of the amendments issued in December 2017, ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, 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 Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; 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 (formerly Consensus Topco Limited). These consolidated financial statements are available from its registered office, Rotherside Road, Eckington, Sheffield, S21 4HL.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

The company's business activities and a review of performance are set out in the Strategic Report. The main effect of the COVID-19 pandemic was to reduce 2020 full year EBITDA compared with budget but the company's activities continued throughout. Although trading was adversely affected by COVID the company remained profitable and cash generative. The company is robust and financially viable with net current assets of £1.6m and cash of £1.2m at year end.

The Senior Management Team have prepared financial forecasts through to December 2022 which support the going concern conclusion and they will endeavour to deliver results that exceed the current budget. Trading post year end has been strong and the KPIs are ahead of budget for 2021 Q1 and the business is on course meet its EBITDA full year target. Cash is managed on a group wide basis and the company has the ongoing support of its parent.

The directors have identified the following key risks but consider them all to be adequately managed:

COVID-19 - Low Risk

The company and its customers have developed safe working practices to be able to deliver works expected in 2021.

Brent Oil Price - Low Risk

The oil price affects some of our key customers' operations and therefore their demand for our services. Diversification of the business has reduced the level of dependency on the oil price and the forecast is for a sustained \$60/bbl price in the medium term, which is above the threshold for sustainable operations in the UK oil and gas sector.

Customer Failure - Minimal Risk

The majority of the company's revenues are from blue chip companies who operate in critical national infrastructure and whilst we believe that the government would not allow such companies to fail, aged debt is strongly managed.

Reduced Demand - Low Risk

The cost base is regularly reviewed to ensure that appropriate short-term measures are applied when necessary and that longer term re-structuring is put in place when required.

After making appropriate enquiries and based on the available information, the directors have a reasonable expectation that the company has sufficient resources for the foreseeable future and do not consider there to be any material uncertainties. Accordingly, the directors continue to adopt the going concern basis of preparation.

Turnover

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 expenses recognised that it is probable will be recovered.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software licences	15 - 40% straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and machinery, fixtures and fittings	2 - 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset 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 immediately 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.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, gross amounts owed by contract customers and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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 giving 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 periods.

Research and development

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

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

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.

Impairment of fixed asset investments

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.

Revenue recognition

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.

Deferred consideration

Included within the cost of the acquisition of Saker Solutions Limited by the company in the year is an amount of deferred consideration. The deferred consideration is dependent upon the future profitability of the acquired business. Management have estimated that profitability based on historical trends and known ongoing contracts. The deferred consideration has been estimated at £2,500,000, of which £1,000,000 is shown as due after one year.

3 Turnover and other revenue

	2020	2019
	£'000	£'000
Turnover analysed by class of business		
Supply of technology services	9,781	10,934
	<u>9,781</u>	<u>10,934</u>
Turnover analysed by geographical market		
United Kingdom	9,726	10,466
Europe	55	435
Africa	-	33
	<u>9,781</u>	<u>10,934</u>

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

4 Other operating income	2020	2019
	£'000	£'000
Grants received - UK government R&D enhanced credit scheme	71	166
Grants received - UK government Coronavirus job retention scheme	147	-
	<u>218</u>	<u>166</u>
	<u><u>218</u></u>	<u><u>166</u></u>
5 Exceptional items	2020	2019
	£'000	£'000
Expenditure		
Exceptional profit on sale of tangible assets	(215)	-
Restructuring costs	41	-
IT migration and rebranding	284	153
	<u>110</u>	<u>153</u>
	<u><u>110</u></u>	<u><u>153</u></u>

Included in exceptional costs are £41,000 in respect of redundancy costs and £284,000 (2019: £153,000) 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 year.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Production staff	91	98
Distribution staff	13	8
Administrative staff	15	12
	<u>119</u>	<u>118</u>
Total	<u><u>119</u></u>	<u><u>118</u></u>

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	4,426	4,112
Social security costs	453	465
Pension costs	495	367
	<u>5,374</u>	<u>4,944</u>

7 Directors' remuneration

All directors are remunerated by the company's immediate parent, ITI Engineering Group Limited. Remuneration paid to the directors in the year totalled £270,464 (2019: £333,852) and pension contributions paid totalled £57,400 (2019: £65,815). Included within these total are remuneration of £156,131 (2019: £235,206) and pension contributions of £26,152 (2019: £43,096) in respect of the highest paid director.

8 Operating profit

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging/(crediting):	<u>£'000</u>	<u>£'000</u>
Exchange losses	3	4
Research and development costs	1,899	1,937
Government grants	(218)	(166)
Fees payable to the company's auditor for the audit of the company's financial statements	36	30
Depreciation of owned tangible fixed assets	70	47
Amortisation of intangible assets	10	16
	<u> </u>	<u> </u>

9 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Other interest income	-	2
	<u> </u>	<u> </u>

10 Interest payable and similar expenses

	2020 £'000	2019 £'000
Other interest paid	8	-
	<u> </u>	<u> </u>

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	(255)	175
Adjustments in respect of prior periods	(244)	(68)
Total current tax	<u>(499)</u>	<u>107</u>
Deferred tax		
Origination and reversal of timing differences	(65)	19
Changes in tax rates	10	-
Total deferred tax	<u>(55)</u>	<u>19</u>
Total tax (credit)/charge	<u>(554)</u>	<u>126</u>

The total tax (credit)/charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £'000	2019 £'000
Profit before taxation	<u>747</u>	<u>1,774</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	142	337
Tax effect of expenses that are not deductible in determining taxable profit	2	3
Adjustments in respect of prior years	(244)	(68)
Effect of change in corporation tax rate	-	(2)
Group relief	-	(121)
Permanent capital allowances in excess of depreciation	1	1
Other adjustments	-	8
Tax effect of ineligible profit on disposal of tangible fixed assets	(126)	-
Tax effect of research and development expenditure credits	(13)	(32)
Additional deduction for research and development expenditure	(405)	-
Surrender of tax losses for research and development tax credit refund	79	-
Remeasurement of deferred tax for change in tax rates	10	-
Taxation (credit)/charge for the year	<u>(554)</u>	<u>126</u>

Factors that may affect future tax charges

Following the March 2020 budget, legislation has been substantively enacted before the year end date for the main rate of corporation tax to remain at 19% from 1 April 2020 instead of reducing to 17%. The deferred tax balances within these financial statements have been recalculated to reflect the rate remaining at 19%.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

12 Intangible fixed assets

	Software licences £'000
Cost	
At 1 January 2020	78
Additions	18
At 31 December 2020	<u>96</u>
Amortisation and impairment	
At 1 January 2020	71
Amortisation charged for the year	10
At 31 December 2020	<u>81</u>
Carrying amount	
At 31 December 2020	<u>15</u>
At 31 December 2019	<u>7</u>

13 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery, fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2020	640	1,609	2,249
Additions	-	177	177
Disposals	(640)	-	(640)
At 31 December 2020	<u>-</u>	<u>1,786</u>	<u>1,786</u>
Depreciation and impairment			
At 1 January 2020	128	1,405	1,533
Depreciation charged in the year	6	64	70
Eliminated in respect of disposals	(134)	-	(134)
At 31 December 2020	<u>-</u>	<u>1,469</u>	<u>1,469</u>
Carrying amount			
At 31 December 2020	<u>-</u>	<u>317</u>	<u>317</u>
At 31 December 2019	<u>512</u>	<u>204</u>	<u>716</u>

Included in freehold land and buildings is land with a value of £nil (2019: £102,000).

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

14 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investments in subsidiaries	15	5,298	1,476

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2020	1,476
Additions	6,586
Return of capital	(2,764)
At 31 December 2020	5,298
Carrying amount	
At 31 December 2020	5,298
At 31 December 2019	1,476

Additions and the return of capital in the year relate to the purchase of the entire issued share capital of Saker Solutions Limited on 30 October 2020. Further details of the acquisition can be found in ITI Engineering Holdings Limited consolidated accounts.

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
ITI Scomag Limited (formerly Servelec Controls (Motherwell) Limited)	1	Dormant company	Ordinary	100.00	
Saker Solutions Limited	2	Consultancy	Ordinary	100.00	

Registered Office addresses:

- Coltness House, Lark Way, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3RB
- Warren Farm House, Sambourne Lane Astwood Bank, Redditch, Worcestershire, B96 6PL

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

16 Debtors	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	2,664	2,040
Gross amounts owed by contract customers	1,804	2,430
Corporation tax recoverable	255	-
Other debtors	58	9
Prepayments and accrued income	260	266
	<u>5,041</u>	<u>4,745</u>

17 Creditors: amounts falling due within one year	2020	2019
	£'000	£'000
Payments received on account	198	163
Trade creditors	559	241
Amounts owed to group undertakings	1,258	2,171
Corporation tax	-	175
Other taxation and social security	693	561
Other creditors	1,570	64
Accruals and deferred income	427	475
	<u>4,705</u>	<u>3,850</u>

Included in other creditors is £1,500,000 (2019: £nil) in relation to deferred consideration for the acquisition of Saker Solutions Limited.

18 Creditors: amounts falling due after more than one year	2020	2019
	£'000	£'000
Other creditors	<u>1,000</u>	<u>-</u>

Other creditors due after more than one year relates to £1,000,000 of deferred consideration for the acquisition of Saker Solutions Limited.

19 Provisions for liabilities		2020	2019
	Notes	£'000	£'000
Deferred tax liabilities	20	<u>26</u>	<u>81</u>

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

20 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2020 £'000	Liabilities 2019 £'000
Balances:		
Accelerated capital allowances	34	81
Short term timing differences	(8)	-
	<u>26</u>	<u>81</u>
		2020 £'000
Movements in the year:		
Liability at 1 January 2020		81
Credit to profit or loss		(65)
Effect of change in tax rate - profit or loss		10
Liability at 31 December 2020		<u>26</u>

The deferred tax liability in relation to accelerated capital allowances are expected to mature and be utilised over the life of the assets to which they relate. The deferred tax asset in relation to short term timing differences is expected to be utilised within the next 12 months.

21 Retirement benefit schemes

	2020 £'000	2019 £'000
Defined Contribution Schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>495</u>	<u>367</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £42,975 (2019: £40,246) were payable to the fund at the year end and are included in other creditors.

22 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Ordinary shares of £1 each	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss. Any revaluation gains or losses are transferred to profit and loss reserves following the disposal of the related fixed asset.

Profit and loss reserves

This reserve represents cumulative earnings net of distributions to owners.

24 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 2020, these borrowings totalled £12,847,000 (2019: £12,498,000).

25 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	296	218
Between one and five years	646	582
	<u>942</u>	<u>800</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020 £'000	2019 £'000
Within one year	-	58
Between one and five years	-	241
In over five years	-	5
	<u>-</u>	<u>304</u>

26 Related party transactions

During the year, management charges of £82,500 (2019: £75,000) were payable to Alcuin GP IV LLP.

ITI OPERATIONS LIMITED (FORMERLY SERVELEC CONTROLS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

27 Ultimate controlling party

The company's immediate parent company is ITI Engineering Group Limited (formerly Consensus Bidco Limited), a company registered in England and Wales.

ITI Engineering Holdings Limited (formerly Consensus Topco 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.