

Company Registration No. 03486926 (England and Wales)

ITIM Group Limited

Report and Financial Statements

For the year ended 31 December 2015

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ITIM Group Limited

Report and financial statements 2015

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ITIM Group Limited

Report and financial statements 2015

Officers and professional advisers

Chairman

M A Athar

Directors

M A Athar

R N Fosell

I D Hayes

M E W Jackson

Secretary

I D Hayes

Auditors

RPG Crouch Chapman LLP

62 Wilson Street

London

EC2A 2BU

Bankers

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Solicitors

DMH Stallards

6 New Street Square

New Fetter Lane

London

EC4A 3BF

Registered Office

2nd Floor

Atlas House

173 Victoria Street

London

SW1E 5NH

ITIM Group Limited

Strategic report

The principal activity of the company and its subsidiaries is the provision of management consultancy and technology solutions to help clients drive improvements in efficiency and effectiveness.

Review of the business and future developments

2015 showed another year of positive EBITDA performance. Revenues and profits were down on the previous year as Itim used its move into profitability to go aggressively for subscription sales to increase recurring revenues.

We are now in a very strong position as a company with over 90% of our 2015 operational cost base covered by business as usual revenues from existing customers with growth in our SaaS revenues continuing at pace.

Our operations in Brazil continue to show growth, and Profimetrics our leading optimisation platform is now showing itself to be a leading retail application developing a prominence in the Brazilian market. With Debenhams now live we are looking for a major push back in the UK.

Profimetrics is showing that we can significantly improve profitability of retailers by guaranteeing better stock distribution and better delivered cash margin.

In the UK Itim has a significant number of customers using its Chameleon EPoS product. The original version of the product is now 15 years old, and during 2015 substantial investment was made to evolve the functionality and technology to deliver our new product; Chameleon II which we believe to be one of the most advanced selling platforms for omni-channel retailing, to help retailers transform their customer experience.

Chameleon II provides the first full integrated e-commerce, POS and mobile sales platforms for the retail industry delivered on a single platform providing a single view of the customer, product and real-time stock. With full order routing and order management capability it means retailers never need lose a sale. With built-in CRM capabilities and extensive support for marketing through loyalty, gift cards, and vouchers, online an off line, Chameleon II should help retailers bring footfall back into stores and increase sales.

I am delighted that with Profimetrics and Chameleon II we now have a very exciting set of products for the retail industry which are well established, mature with a critical mass of references for Itim to be a credible player in the UK retail software industry.

Our international growth strategy is also showing resilience, with our Brazilian business starting to show stronger prospects enabling Itim to broaden its reach in South America with new business in Argentina, Chile and Peru.

As our list of references continue to grow in South America, we will be looking to expand into the USA in 2016.

The Board have considered the inclusion of key performance indicators within the business review but believe that the inclusion of such would not give the user of these financial statements a better understanding of the development, performance or position of the business of the company.

Research and development

Research and development focused on 4 areas in 2015:

1. Extending the promotions engine – A cloud based development executing promotions simultaneously in each channel
2. Chameleon II – integration of multiple sales channels through a single platform
3. Stock Optimisation – Optimising stock for seasonal fashion products
4. VIP Application – focussing on the needs of regular customers

ITIM Group Limited

Strategic report (continued)

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at fixed rate. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Approved by the Board of Directors
and signed on behalf of the Board



I D Hayes
Director

14 March 16

ITIM Group Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Principal activity

The principal activity of the company and its subsidiaries is the provision of management consultancy and technology solutions to help clients drive improvements in efficiency and effectiveness. The group will continue with its principal activity for the foreseeable future.

Business review and future developments

The review of the year's operations, trading outlook and future developments is contained in the Strategic report on pages 2 to 3.

Results and dividends

The Group made a loss for the year of £486,000 (2014: profit £514,000). The directors do not recommend the payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2015:

M A Athar
R N Frosell
I D Hayes
M E W Jackson (appointed 1 January 2015)

Auditors

In accordance with the company's articles, a resolution proposing that RPG Crouch Chapman LLP be reappointed as auditors of the company will be put at a General Meeting.

Disclosure of information to the auditors

So far as the directors are aware:

- there is no relevant audit information of which the auditors are unaware and
- additionally the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board

I D Hayes
Director

14 March 16

ITIM Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the strategic and 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 group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and the company and of the profit or loss of the group 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;
- state whether applicable IFRSs as adopted by the European Union 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 and group 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 to 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



I.D. Hayes

Director

14 March 16

ITIM Group Limited

Independent auditors' report to the members of ITIM Group Limited

We have audited the financial statements of ITIM Group Limited for the year ended 31 December 2015 set out on pages 8 to 37, which comprise the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic and directors reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

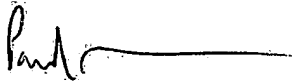
ITIM Group Limited

Independent auditors' report to the members of ITIM Group Limited (continued)

Matters on which we are required to report by exception

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

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



Paul Randall ACA (Senior Statutory Auditor)

For and on behalf of RPG Crouch Chapman LLP

Chartered Accountants

Statutory Auditor

14 March 2016

62 Wilson Street
London
EC2A2BU

ITIM Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2015

	Note	Total 2015 £'000	Total 2014 £'000
Revenue	5	7,762	8,330
Cost of sales		(4,804)	(4,991)
Gross profit		2,958	3,339
Administrative expenses		(2,529)	(2,127)
Adjusted EBITDA		429	1,212
Amortisation of intangible assets	11	(1,051)	(942)
Depreciation	12	(27)	(32)
Profit from operations		(649)	238
Finance costs	9	(216)	(249)
Loss on ordinary activities before taxation	6	(865)	(11)
Taxation	10	379	525
Loss for the year		(486)	514
Other comprehensive income			
Exchange differences on translation of foreign operations		85	88
Total comprehensive (loss)/profit for the year net of tax		(401)	602

All comprehensive income for continuing operations is shown above.

ITIM Group Limited

Consolidated statement of changes in equity For the year ended 31 December 2015

	Share capital £000	Share premium £000	Share options reserve £000	Foreign exchange reserve £000	Retained losses £000	Total £000
At 1 January 2014	2,103	10,154	86	181	(11,812)	712
Total comprehensive income for the year	-	-	-	88	514	602
At 1 January 2015	2,103	10,154	86	269	(11,298)	1,314
Total comprehensive loss for the year	-	-	-	85	(486)	(401)
Issue of share capital	31	169	-	-	-	200
At 31 December 2015	2,134	10,323	86	354	(11,784)	1,113

Consolidated statement of financial position
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	11	6,038	6,673
Plant and equipment	12	41	42
		<u>6,079</u>	<u>6,715</u>
Current assets			
Trade and other receivables	14	1,444	1,449
Cash and cash equivalents		678	568
		<u>2,122</u>	<u>2,017</u>
Total assets		<u>8,201</u>	<u>8,732</u>
Current liabilities			
Trade and other payables	15	(826)	(849)
Non-current liabilities			
Loans and borrowings	16	(4,440)	(4,747)
Total liabilities		<u>(5,266)</u>	<u>(5,596)</u>
Net assets		<u>2,935</u>	<u>3,136</u>
Accruals and deferred income	17	1,822	1,822
Equity			
Called up share capital	19	2,134	2,103
Share premium account		10,323	10,154
Share options reserve		86	86
Foreign exchange reserve		354	269
Retained losses		(11,784)	(11,298)
Equity shareholders' funds		<u>2,935</u>	<u>3,136</u>

These financial statements were approved and authorised for issue by the Board of Directors on

Signed on behalf of the Board of Directors

14 March 2016

I D Hayes
 Director

ITIM Group Limited

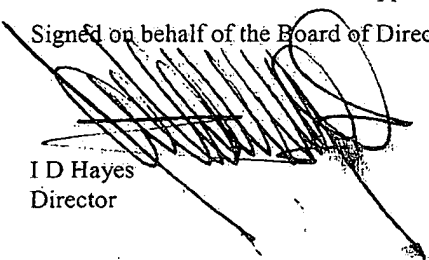
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**Company Statement of financial position
As at 31 December 2015**

	Note	2015 £'000	2014 £'000
Non-current assets			
Investments	13	3,598	3,598
Plant and equipment	12	3	3
		<u>3,601</u>	<u>3,601</u>
Current assets			
Trade and other receivables	14	7,547	7,018
Cash and cash equivalents		11	15
		<u>7,558</u>	<u>7,033</u>
Total assets		<u>11,159</u>	<u>10,634</u>
Current liabilities			
Trade and other payables	15	(28)	(18)
Non-current liabilities			
Loans and borrowings	16	(4,440)	(4,747)
Total liabilities		<u>(4,468)</u>	<u>(4,765)</u>
Net assets		<u><u>6,691</u></u>	<u><u>5,869</u></u>
Equity			
Called up share capital	19	2,134	2,103
Share premium account	21	10,323	10,154
Share options reserve	21	86	86
Retained losses	21	(5,852)	(6,474)
Equity shareholders' funds		<u><u>6,691</u></u>	<u><u>5,869</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on

Signed on behalf of the Board of Directors



I D Hayes
Director

14 March 2016

ITIM Group Limited

Consolidated cash flow statement Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit/(loss) after taxation		(486)	514
Adjustments for:			
Taxation	10	(379)	(525)
Finance costs	9	216	249
Exchange gain		85	91
Amortisation and depreciation	11/12	1,078	974
Cash flows from operations before changes in working capital			
		514	1,303
Movement in trade and other receivables		145	(92)
Movement in trade and other payables		(23)	(467)
Cash generated from operations			
		636	744
Interest paid		(35)	(101)
Corporation tax refund		239	372
Net cash flows from operating activities			
		840	1,015
Cash flows from investing activities			
Capital expenditure on intangible assets	11	(416)	(379)
Purchase of plant and equipment	12	(26)	(29)
Net cash flows from investing activities			
		(442)	(408)
Cash flows from financing activities			
Loan repayments		(488)	(600)
Issue of share capital		200	-
Net cash flows from financing activities			
		(288)	(600)
Net increase in cash and cash equivalents			
		110	7
Cash and cash equivalents at beginning of year		568	561
Cash and cash equivalents at end of year			
		678	568

ITIM Group Limited

Company cash flow statement Year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit/(loss) after taxation	622	771
Adjustments for:		
Finance costs	197	227
Amortisation and impairment losses	-	63
Cash flows from operations before changes in working capital	819	1,061
Movement in trade and other receivables	(529)	136
Movement in trade and other payables	10	(856)
Cash generated from operations	300	341
Interest paid	(16)	(46)
Net cash flows from operating activities	284	295
Cash flows from investing activities		
Purchase of investments	-	(42)
Net cash flows from investing activities	-	(42)
Cash flows from financing activities		
Loan repayments	(488)	(257)
Issue of share capital	200	-
Net cash flows from financing activities	(288)	(257)
Net increase in cash and cash equivalents	(4)	(4)
Cash and cash equivalents at beginning of year	15	19
Cash and cash equivalents at end of year	11	15

ITIM Group Limited

Notes to the accounts Year ended 31 December 2015

1. Corporate Information

The consolidated financial statements of ITIM Group Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 19 March 2016. ITIM Group Limited is a private limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 03486926). The Company is domiciled in the United Kingdom and its registered address is 2nd Floor, Atlas House, 173 Victoria Street, London SW1E 5NH.

The Group's principal activities have been the provision of management consultancy and technology solutions to help clients drive improvements in efficiency and effectiveness.

2. Basis of preparation

The consolidated financial statements of the Group are prepared under IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements for the year ended 31 December 2015 are the first the Group has prepared in accordance with IFRS. Refer to Note 4 for information on how the Group adopted IFRS.

The Company's financial statements have been prepared under United Kingdom Generally Accepted Accounting Practice and as permitted by section 408 of the Companies Act 2006, no income statement or cash flow statement is presented for the company. The Company made a profit of £622,000 for the year ended 31 December 2015 (2014: £771,000).

The financial statements have been prepared on the going concern basis.

3. Summary of significant accounting policies

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Subsidiaries

Subsidiaries are all entities over which the Group has the ability to exercise control and are accounted for as subsidiaries. The results of subsidiaries are included in the Group income statement from the date of acquisition until the date that such control ceases. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

3. Accounting policies (continued)

Revenue recognition

Revenue was recognised to the extent that it was probable that the economic benefits would flow to the Group and the revenue could be reliably measured.

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year by the group. Revenue is derived from the Group's principal activity and excludes VAT.

The group derives revenue from four sources; licences, maintenance, subscriptions and services.

- Licence revenue is recognised over the course of the project delivered and provided that:

- Persuasive evidence of an arrangement with the customer exists
- The revenue concerned is fixed or determinable
- It is probable that the invoice will be paid by the customer

- Maintenance revenue is deferred and recognised in the profit and loss account in equal instalments over the life of the arrangement.

- Subscription revenue is recognised over the life of the subscription service.

- Services revenue is recognised when the service has been delivered to the customer.

Intangible assets - Goodwill

Goodwill is not amortised but tested for impairment annually and whenever impairment indicators require. In most cases the Company identified its cash generating units as one level below that of an operating segment. Cash flows at this level are substantially independent from other cash flows and this is the lowest level at which goodwill is monitored. A goodwill impairment loss is recognised in the Statement of income whenever and to the extent that the carrying amount of a cash-generating unit exceeds the unit's recoverable amount, which is the greater of value in use and fair value less cost to sell.

Negative goodwill relating to intangible fixed assets requires immediate recognition in the Statement of income.

In calculating goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent consideration is re-assessed annually. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the profit and loss account and credited to the liability over the period in which the consideration is deferred. The discount used approximates to market rates.

Intangible assets – research and development expenditure

Research expenditure is written off as incurred. Internally generated development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period during which the group is expected to benefit. This period is seven years. Provisions are made for any impairment.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

3. Accounting policies (continued)

Intangible assets - Computer software

Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring into use the specific software. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years. Costs relating to development of computer software are capitalised once the recognition criteria are met. When the software is available for its intended use, these costs are amortised over the estimated useful life of the software.

The amortisation of intangible fixed assets is shown as a separate line in the consolidated income statement.

The carrying values of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the functional currency at the rate of exchange ruling at the reporting date. Profit and loss accounts of such undertakings are consolidated at the average rate of exchange during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation of tangible fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Computer equipment - straight line over 3 years
Office equipment - straight line over 3 years
Fixtures and fittings - straight line over 3 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period that the asset is derecognised. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

3. Accounting policies (continued)

Fixed asset investments

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

Trade and other receivables

Trade receivables, which are generally received by the end of month following terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

Trade and other payables

Trade and other payables are recognised at original cost.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases and the rental charges are charged in the Statement of income on a straight line basis over the lease term.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled based on the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

3. Accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Finance costs

Finance costs comprise interest payable on bank overdrafts and loans from directors and third parties and are recognised on an accruals basis

Share-based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Binominal Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Pension contributions

The company operates a defined contribution scheme for its employees. Contributions are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the group.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either 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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

3. Accounting policies (continued)

Use of assumptions and estimates

The Company makes judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. 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 if the revision effects only that period, or in the period of revision and future periods if the revision effects both current and future periods. The estimates and assumption that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation and amortisation periods and the estimates in relation to future cash flows and discount rates utilised in the impairment testing of intangible and tangible fixed assets.

Change in accounting policies

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2015.

(a) New and amended standards adopted by the group:

IAS 1 'Financial statement presentation – regarding other comprehensive income'
IAS 19 (revised June 2011) – Employee Benefits.
IFRS 13 – Fair Value Measurement.
IFRS 12 – Disclosure of Interest in Other Entities.
IFRS 11 – Joint Arrangements.
IFRS 10 – Consolidated Financial Statements.
IAS 27 – (revised May 2011) – Separate Financial Statements.
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance.
IAS 12 'Income taxes – on deferred tax'
Amendment to IFRS 7 (Dec 2011) – Disclosures – Offsetting Financial Assets and Financial Liabilities.
IAS 28 – (revised May 2011) – Investments in Associated and Joint Ventures.
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.
Amendment to IAS 32 (Dec 2011) – Offsetting Financial Liabilities.
IFRS 10, IFRS 12 and IAS 27 (amended) – Investment Entities.
Amendment to IAS 36 – Impairment of Assets.
Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.
Amendments to IFRS - Annual Improvements to IFRSs 2010-2012 cycle.
Amendments to IFRS - Annual Improvements to IFRSs 2011-2013 cycle.

None of these standards has had a significant impact on the financial statements of the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January 2015 and not early adopted:

IFRS 9 – Financial Instruments. Effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.
IFRS 15 – Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2017, with earlier adoption permitted.
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
Amendments to IFRS - Annual Improvements to IFRSs 2012-2014 cycle. Effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

4. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2015, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting principle (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements, including the statement of financial position as at 1 January 2014 and the financial statements as at and for the year ended 31 December 2014.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 January 2014.

Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. Goodwill impairment was deemed necessary at 1 January 2014 and was amortised. Negative goodwill was released on transition.

The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.

IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2014. For cash-settled share-based payment transactions, the Group has not applied IFRS 2 to liabilities that were settled before 1 January 2014.

Estimates

The estimates at 1 January 2014 and at 31 December 2014 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2014, the date of transition to IFRS and as of 31 December 2014.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

4. First-time adoption of IFRS (continued)

Group reconciliation of equity as at 1 January 2014 (date of transition to IFRS)

	UK GAAP £'000	Re- measurements £'000	IFRS at 1 January 2014 £'000
Assets			
Non-current assets			
Plant and equipment	46	-	46
Intangible assets (A)	7,519	3	7,522
	<hr/>	<hr/>	<hr/>
	7,565	3	7,568
Current assets			
Trade and other receivables	1,358	-	1,358
Cash and cash equivalents (B)	561	-	561
	<hr/>	<hr/>	<hr/>
	1,919	-	1,919
	<hr/>	<hr/>	<hr/>
Total assets	9,484	3	9,487
	<hr/>	<hr/>	<hr/>
Equity and liabilities			
Accruals and deferred income	2,902	-	2,902
Issued capital	2,103	-	2,103
Share premium reserve	10,154	-	10,154
Share options reserve	86	-	86
Foreign exchange reserve	181	-	181
Retained losses	(11,815)	3	(11,812)
	<hr/>	<hr/>	<hr/>
Total equity	3,611	3	3,614
	<hr/>	<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	4,760	-	4,760
	<hr/>	<hr/>	<hr/>
Current liabilities			
Trade and other payables	1,113	-	1,113
	<hr/>	<hr/>	<hr/>
Total liabilities	5,873	-	5,873
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	9,484	3	9,487
	<hr/>	<hr/>	<hr/>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

4. First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 December 2014

	UK GAAP £'000	Re- measurements £'000	IFRS at 31 December 2014 £'000
Assets			
Non-current assets			
Plant and equipment	42	-	42
Intangible assets (A)	6,369	304	6,673
	<u>6,411</u>	<u>304</u>	<u>6,715</u>
Current assets			
Trade and other receivables	1,449	-	1,449
Cash and cash equivalents (B)	568	-	568
	<u>2,017</u>	<u>-</u>	<u>2,017</u>
Total assets	<u>8,428</u>	<u>304</u>	<u>8,732</u>
Equity and liabilities			
Accruals and deferred income			
	1,822	-	1,822
Issued capital			
	2,103	-	2,103
Share premium reserve			
	10,154	-	10,154
Share options reserve			
	86	-	86
Foreign exchange reserve			
	269	-	269
Retained losses			
	(11,602)	304	(11,298)
Total equity	<u>2,832</u>	<u>304</u>	<u>3,136</u>
Non-current liabilities			
Loans and borrowings			
	4,747	-	4,747
Current liabilities			
Trade and other payables			
	849	-	849
Total liabilities	<u>5,596</u>	<u>-</u>	<u>5,596</u>
Total equity and liabilities	<u>8,428</u>	<u>304</u>	<u>8,732</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

4. First-time adoption of IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2014

	UK GAAP £'000	Re- measurements £'000	IFRS at 31 December 2014 £'000
Continuing operations			
Revenue	8,330	-	8,330
Cost of sales	(4,991)	-	(4,991)
	<hr/>	<hr/>	<hr/>
Gross profit	3,339	-	3,339
Administrative expenses	(2,127)	-	(2,127)
Amortisation and depreciation (A)	(1,275)	301	(974)
	<hr/>	<hr/>	<hr/>
Operating loss	(63)	301	238
Finance costs	(249)	-	(249)
	<hr/>	<hr/>	<hr/>
Loss on ordinary activities before taxation	(312)	301	(11)
Taxation	525	-	525
	<hr/>	<hr/>	<hr/>
Profit for the year	213	301	514
	<hr/>	<hr/>	<hr/>
Other comprehensive income			
Exchange differences on translation of foreign operations	88	-	88
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year net of tax	88	-	88
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year net of tax	301	301	602
	<hr/>	<hr/>	<hr/>

(A) Intangible assets

Negative goodwill of £3,000 was released on the date of transition.

Under UK GAAP goodwill was amortised over its useful economic life. Under IFRS goodwill is not amortised but tested for impairment annually and whenever impairment indicators require. Goodwill amortisation amounting to £301,000 was added back in 2014.

(B) Statement of cash flows

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

5. Segmental Analysis

Analysis by business segments 2015

	UK £'000	Portugal £'000	Total £'000
Revenue	6,312	1,450	7,762
EBITDA	286	143	429
Amortisation	(1,051)	-	(1,051)
Depreciation	(24)	(3)	(27)
Operating (loss)/Profit	(789)	140	(649)
Finance costs	(197)	(19)	(216)
(Loss) /profit before tax	(986)	121	(865)
Income tax	379	-	379
(Loss) /profit after tax	(607)	121	(486)
Segment assets	5,709	2,492	8,201
Segment liabilities	(3,463)	(3,625)	(7,088)

Analysis by business segments 2014

	UK £'000	Portugal £'000	Total £'000
Revenue	6,933	1,397	8,330
EBITDA	1,159	53	1,212
Amortisation	(942)	-	(942)
Depreciation	(28)	(4)	(32)
Operating profit	189	49	238
Finance costs	(226)	(23)	(249)
(Loss)/profit before tax	(37)	26	(11)
Income tax	550	(25)	525
Profit after tax	513	1	514
Segment assets	6,225	2,507	8,732
Segment liabilities	(3,575)	(3,843)	(7,418)

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

5. Segmental analysis – Geographical analysis

The analysis of the Group's turnover by geographical area is set out below:

	2015 £'000	2014 £'000
United Kingdom	5,754	6,317
Europe	369	473
Rest of World	1,639	1,540
	<u>7,762</u>	<u>8,330</u>

6. Loss on operating activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2015 £'000	2014 £'000
Depreciation of tangible fixed assets		
- owned	27	32
Amortisation of capitalised research and development	1,051	942
Operating lease rentals		
- plant and machinery	78	71
- other	173	176
Net exchange differences on foreign currency transactions	61	96
Auditors' remuneration (see note 7)	20	15
	<u>1,319</u>	<u>1,332</u>

7. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>2</u>	<u>-</u>
Fees payable to the company's auditors and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	12	13
- Tax services	2	2
- Accounts preparation services	4	-
	<u>18</u>	<u>15</u>
Total other services	<u>18</u>	<u>15</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

8. Employee information

Employment costs - group

	2015 £'000	2014 £'000
Wages and salaries	3,662	3,244
Social security costs	468	488
Other pension costs	148	200
Other benefits	75	64
	<u>4,353</u>	<u>3,996</u>

The average monthly number of employees (including directors) during the year for the group was as follows:

	2015 No.	2014 No.
Selling and administration	22	20
Technical	73	77
	<u>95</u>	<u>97</u>

Directors' emoluments

	2015 £'000	2014 £'000
Aggregate emoluments	204	356
Pension contributions (money purchase schemes)	25	25
	<u>229</u>	<u>381</u>

Directors' emoluments disclosed above include the following payments to the highest director:

	2015 £'000	2014 £'000
Aggregate emoluments	80	177
Pension contributions (money purchase schemes)	8	8
	<u>88</u>	<u>185</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

8. Directors' emoluments (continued)

	2013 No.	2012 No.
Number of directors to whom relevant benefits are accruing under: Money purchase schemes	<u>3</u>	<u>3</u>

Share based compensation

The Group operates an equity-settled share based compensation plan for Directors and executives. In accordance with IFRS 1, the Group has elected to implement the measurement requirements of IFRS 2 in respect of only those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005. The fair value of the employee services received in exchange for the grant of options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date.

At each year end date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Statement of Consolidated Income, and a corresponding adjustment to equity over the remaining vesting period. When share options are cancelled the Group accounts for the cancellation as an acceleration of vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of share options has been assessed using the Binominal Option Pricing Model.

Included in wages and salaries is a total charge for share based payments of £nil (2014: £nil) which in both years arises wholly from transactions accounted for as equity settled share based payments.

9. Finance costs

	2015 £'000	2014 £'000
Other interest and similar charges	<u>216</u>	<u>249</u>
	<u>216</u>	<u>249</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

10. Taxation

(a) Taxation charge:

	2015 £'000	2014 £'000
Total current income tax credit charged in the income statement	(319)	(550)
Research and development tax credit	(60)	-
Adjustment in respect of prior years	-	-
	<u>(379)</u>	<u>(550)</u>
Foreign tax on income for the year	-	25
Total income tax	<u>(379)</u>	<u>(525)</u>

(b) Taxation reconciliation:

The current income tax credit for the year is explained below:

	2015 £'000	2014 £'000
Loss before tax	<u>(865)</u>	<u>(11)</u>
Loss at the standard UK income tax rate of 20% (2014: 23%)	(173)	(3)
Effects of:		
Expenses not deductible for tax purposes	211	33
Capital allowances in excess of depreciation	(4)	(74)
Tax losses utilised as part of research and development tax credit	(319)	(550)
Tax losses brought forward utilised in the year	(4)	-
Unrelieved tax losses and other deductions arising in the year	(30)	44
Foreign tax paid	-	25
Adjustment in respect of earlier year	(60)	-
Total income tax credited in the income statement	<u>(379)</u>	<u>(525)</u>

(c) Deferred tax

No deferred tax has been provided for as within the group there are tax adjusted losses to carry forward of approximately £8.9 million (2014: £8.9 million). A deferred tax asset has not been recognised in these financial statements as there is insufficient certainty over whether the group will be in a position to utilise the asset in the foreseeable future.

The deferred taxation asset not recognised in the accounts is as follows:

	2015 £'000	2014 £'000
Fixed asset timing differences	11	21
Losses and other deductions	1,780	2,047
	<u>1,791</u>	<u>2,068</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

11. Intangible assets

<i>Group</i>	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2015	8,106	8,464	16,570
Additions	416	-	416
31 December 2015	8,522	8,464	16,986
Amortisation			
At 1 January 2015	4,746	5,151	9,897
Charge for the year	1,051	-	1,051
At 31 December 2015	5,797	5,151	10,948
Net book value			
At 31 December 2015	2,725	3,313	6,038
At 31 December 2014	3,360	3,313	6,673

<i>Company</i>	Development costs £'000	Total £'000
Cost		
At 1 January 2015 and at 31 December 2015	13	13
Amortisation		
At 1 January 2015	13	13
Charge for the year	-	-
31 December 2015	13	13
Net book value		
At 31 December 2015	-	-
At 31 December 2014	-	-

Development costs for The Retail Suite and Tradeledger P2P have been capitalised in accordance with IAS 38 "Intangible assets". Production commenced in 2008, from which date the related costs were written off over 7 years.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

12. Plant and equipment

Group

	Fixtures and equipment £'000	Total £'000
Cost		
At 1 January 2015	986	986
Additions	26	26
	<hr/>	<hr/>
At 31 December 2015	1,012	1,012
	<hr/>	<hr/>
Depreciation		
At 1 January 2015	944	944
Charge for the year	27	27
	<hr/>	<hr/>
At 31 December 2015	971	971
	<hr/>	<hr/>
Net book value		
At 31 December 2015	41	41
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2014	42	42
	<hr/> <hr/>	<hr/> <hr/>

Company

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 January 2015 and at 31 December 2015	16	16
	<hr/>	<hr/>
Depreciation		
At 1 January 2015	13	13
Charge for the year	-	-
	<hr/>	<hr/>
At 31 December 2015	13	13
	<hr/>	<hr/>
Net book value		
At 31 December 2015	3	3
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2014	3	3
	<hr/> <hr/>	<hr/> <hr/>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

13. Investments

The principal subsidiaries of ITIM Group Ltd, all of which have been included in these consolidated financial statements, are as follows:

<i>Company</i>	Shares in group undertaking £'000	Other investments £'000	Total £'000
Costs			
At 1 January 2015 and at 31 December 2015	6,532	46	6,578
Provision for impairment			
At 1 January 2015 and at 31 December 2015	2,934	46	2,980
Net book value			
At 31 December 2015	3,598	-	3,598
At 31 December 2014	3,598	-	3,598

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Shares in subsidiary undertakings	-	-	3,598	3,598
	-	-	3,598	3,598

The company holds more than 20% of the share capital of the following companies:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Percentage holding</i>	<i>Class of share</i>	<i>Principal activity</i>	<i>Profit/(loss) £'000</i>	<i>Net assets/(liabilities) £'000</i>
ITIM e-Commerce Limited	England and Wales	100%	Ordinary	Dormant	£nil	£23
ITIM Limited	England and Wales	100%	Ordinary 'A' Ordinary Deferred	Software consultancy and supply	(£1,230)	(£3,668)
Aim Commercial Systems Limited	England and Wales	100% held by ITIM Limited	Ordinary	Dormant	£nil	£49
ITIM Technology Solutions Limited	England and Wales	100%	Ordinary	Dormant	£nil	£449
Profimetrics Software Solutions S.A	Portugal	100%	Ordinary Preferred	Development and distribution of software	£124	(£1,134)

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

13. Fixed Asset Investments (continued)

The company also holds shares in the following company:

<u>Other investments</u>	<u>Country of incorporation</u>	<u>Percentage holding</u>	<u>Principal activity</u>
Pacific Knowledge Platform Inc	Singapore	10.83%	Electronic commerce Services

14. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	757	776	-	-
Income tax	319	179	-	-
Amounts owed by group undertakings due within one year	-	-	3,446	2,834
Amounts owed by group undertakings due in greater than one year	-	-	4,101	4,183
Other receivables	48	49	-	1
Prepayments and accrued income	320	445	-	-
	<u>1,444</u>	<u>1,449</u>	<u>7,547</u>	<u>7,018</u>

15. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	361	347	-	-
Other taxation and social security	363	382	-	-
Other payables	102	120	28	18
	<u>826</u>	<u>849</u>	<u>28</u>	<u>18</u>

16. Loans and borrowings

Non-Current

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Loans	<u>4,440</u>	<u>4,747</u>	<u>4,440</u>	<u>4,747</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

16. Loans and borrowings (continued)

Loans comprise of:

Secured liabilities - Group

1 st charge	2015	2014
Lighthouse Technology Limited	1,474,114	1,924,114

2 nd charge	2015	2014
External investor	500,000	500,000
Directors	512,596	512,596

Unsecured liabilities – Group	2015	2014
Directors	634,150	671,650
External investor	100,000	100,000

The debt from Directors, the external investor and the bank bears interest at rates between bank base plus 3% and LIBOR plus 6.5%.

£500,000 of the loan from Lighthouse Technology Limited is not interest bearing. £214,133 bears interest as follows:

1st April 2008 – 31st July 2008: 8%

1st August 2008 – repayment: 12%

£950,000 of the loan from Lighthouse Technology Limited has a monthly management fee of £5,250 per month.

Analysis of maturity of loans and borrowings

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts payable				
Within two and five years	4,440	4,747	4,440	4,747
	<u>4,440</u>	<u>4,747</u>	<u>4,440</u>	<u>4,747</u>

Net obligations under finance leases are secured by fixed charges on the assets concerned.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

17. Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Accruals	262	282	-	-
Deferred income	1,560	1,540	-	-
	<u>1,822</u>	<u>1,822</u>	<u>-</u>	<u>-</u>

18. Financial instruments

The Group's financial instruments comprise cash and various items, such as loans and borrowings, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operation.

Fair values of financial instruments

For the following financial assets and liabilities: trade and other payables, trade and other receivables and cash at bank and in hand, the carrying amount approximates the fair value of the instrument due to the short-term nature of the instrument.

The Group's activities expose the Group to a number of risks including capital management risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board.

It is the Group's policy that no trading in financial instruments should be undertaken.

Capital management risk

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital. The Group in particular reviews its levels of borrowing and the repayment dates, setting these out against forecast cash flows and reviewing the level of available funds.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to holders of the parent, comprising issued share capital, reserves and retained earnings. Consistent with others in the industry, the Group reviews the gearing ratio to monitor the capital. This ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (including capital, reserves and retained earnings). This gearing ratio will be considered in the wider macroeconomic environment. With the current restraints on availability of finance and economic pressures the Group has lowered its gearing ratio expectations and has continued to reduce its debt in the year to 31 December 2015.

Interest rate risk

The Group and Company's interest rate exposure arises mainly from the interest bearing borrowings as disclosed in note 17. All of the Group's facilities were at floating rates, which exposed the entity to cash flow risk.

Foreign exchange risk

The Group and Company operates principally in the United Kingdom and as such the majority of the Group and Company's financial assets and liabilities are denominated in sterling, and there is no material exposure to exchange risks.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

19. Share capital

	2015 £'000	2014 £'000
Authorised:		
189,748,257 Ordinary shares of 1p each	1,898	1,898
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid:		
	2015 £'000	2014 £'000
103,211,838 Ordinary shares of 1p each	1,032	1,001
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>2,134</u>	<u>2,103</u>

A summary of the rights of the different classes of share is given below:

Voting

All Ordinary shares are entitled to one vote each. The holders of Deferred shares are not entitled to receive notice of, to attend, to speak or to vote at any general meeting of the Company.

Dividends

The profits of the Company available for distribution shall be used to pay dividends to the holders of Ordinary Shares a dividend equivalent to such amounts as the Directors may determine and as is approved by the Ordinary Shareholders in general meeting.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

20. Share-based payments

Share options

The company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is 0 to 2 years after the date of grant. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	29,489,426	1.595p	29,489,426	1.595p
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	29,484,426	1.595p	29,489,426	1.595p
Exercisable at the end of the year	-	-	-	-

The options outstanding at 31 December 2015 had a weighted average exercise price of 1.595p, and a weighted average remaining contractual life of 8 years.

21. Company statement of changes in equity

	Share capital £'000	Share premium £'000	Share options reserve £'000	Retained losses £'000	Total £000
At 1 January 2014	2,103	10,154	86	(7,245)	5,098
Total comprehensive income for the year	-	-	-	771	771
At 1 January 2015	2,103	10,154	86	(6,474)	5,869
Total comprehensive income for the year	-	-	-	622	622
Issue of share capital	31	169	-	-	200
At 31 December 2015	2,134	10,323	86	(5,852)	6,691

The profit for the year dealt with in the financial statements of the parent company is shown above. As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2015

22. Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015		2014	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Due within one year	173	64	173	77
Due between two and five years	276	13	449	78

23. Pension commitments

The group makes contributions to individual pension schemes (money purchase). The amount paid during the year was £148,000 (2014: £200,000).

24. Contingent liabilities

ITIM Group Limited and its subsidiary undertakings have given cross guarantees and been granted rights to set-off in respect of group undertaking overdrafts and loans.

The company is party to a cross guarantee for amounts payable to R M Frosell of £500,000 (2014: £500,000) by the group.

The company is party to a cross guarantee for amounts payable to Lighthouse Technology Limited of £1,474,114 (2014: £1,924,114) by the group.

25. Controlling party

There is no single ultimate controlling party.