

Company Registration No. 03486926 (England and Wales)

ITIM Group Limited

Report and Financial Statements

For the year ended 31 December 2017

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ITIM Group Limited

Report and financial statements 2017

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ITIM Group Limited

Report and financial statements 2017

Officers and professional advisers

Chairman

M A Athar

Directors

M A Athar

R N Frosell

I D Hayes

M E W Jackson

S S Ribeiro (appointed 19 October 2017)

S Evetts (appointed 24 January 2018)

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 (continued)

The principal activity of the company and its subsidiaries is the provision of software and related implementation and consultancy services to help clients drive top line growth and improvements in operational efficiency.

Review of the business and future developments

2017 was an exciting year for itim. We broke the £10m revenue mark up from £7.8m in 2016 and broke through £2m in EBITDA (2016: £0.5m)

We also laid the ground work for a very exciting future for the business. We are slowly emerging as market leaders in three technologies as applied to retail and supply chain businesses. Digital or the move to mobile, AI for optimising Retail processes and recently we have extended our supplier payments platform into the 'Blockchain'.

Our Profimetrics AI platform is becoming a market leader in Retail, with presence in the UK, Spain, Portugal, Brazil and expanding across South America. With over 30 retailers using it, it is showing fantastic growth and take up. We won our first major department store chain in the US as a customer. We hope that will allow us to expand into the US market.

In the UK, our TRS & Chameleon 360 platforms are being recognised as the best in class for multi-channel retailing.

The retailing industry is going through a massive and fast digital transformation, and we are right at the centre of that transformation.

Today recurring revenue is now close to representing 90 per cent of our cost base. SaaS offerings are now the norm and we are really well positioned to grow as a SaaS company.

We should be seeing the business raise and utilise new capital to drive growth across all three platforms. We expect to see ourselves expand internationally.

Our success is due to all the customers that continue to support us, and of course the talent of the people in the company who continue to work with passion and love for retailing.

We of course need to continue to invest in research and development and we have done some major investments in all three areas.

Research and development

Research and development focused on 3 areas in 2017:

Digital: helping retailers use mobile technologies to connect directly to customers making every customer feel like a VIP. Customer centric retailing we believe is the future of retailing.

AI: we believe AI techniques will be imbedded in all retail processes. Our focus has been on optimising stock and pricing, which are critical value drivers in retail.

ITIM Group Limited

Strategic report (continued)

Blockchain: Blockchain will be as big as the Internet. We have a great Blockchain application facilitating supplier payments. We are looking at the possibility of launching our own digital currency or token to support B2B payments.

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

ITIM Group Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 profit for the year of £626,000 (2016: profit £1,019,000). The directors do not recommend the payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2017:

M A Athar
R N Frosell
I D Hayes
M E W Jackson
S S Ribeiro (appointed 19 October 2017)
S Evetts (appointed 24 January 2018)

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

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

ITIM Group Limited

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

Opinion

We have audited the financial statements of ITIM Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and the parent 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 group or the parent 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

• Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Paul Randall ACA (Senior Statutory Auditor)

For and on behalf of RPG Crouch Chapman LLP

Chartered Accountants

Statutory Auditor

17 May 2018

**62 Wilson Street
London
EC2A2BU**

ITIM Group Limited

Consolidated Statement of Comprehensive Income For the year ended 31 December 2017

	Note	Total 2017 £'000	Total 2016 £'000
Revenue	4	10,152	7,785
Cost of sales		(5,042)	(4,740)
Gross profit		5,110	3,045
Administrative expenses		(3,048)	(2,542)
EBITDA		2,062	503
Amortisation of intangible assets	12	(1,175)	(1,108)
Depreciation	13	(25)	(29)
Profit/(loss) from operations		862	(634)
Finance costs	10	(170)	(403)
Finance income		21	-
Share option charge	21	(127)	-
Profit on disposal of subsidiary undertaking	5	-	1,809
Profit on ordinary activities before taxation	6	586	722
Taxation	11	40	247
Profit for the year		626	1,019
Other comprehensive income			
Exchange differences		(39)	(194)
Total comprehensive income for the year net of tax		587	825

All comprehensive income for continuing operations is shown above.

ITIM Group Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2017

	Share capital £000	Share premium £000	Share options reserve £000	Foreign exchange reserve £000	Retained losses £000	Total £000
At 1 January 2016	2,134	10,323	86	354	(11,784)	1,113
Comprehensive income for the year	-	-	-	-	1,019	1,019
Foreign exchange movement				(194)	-	(194)
At 1 January 2017	2,134	10,323	86	160	(10,765)	1,938
Comprehensive income for the year	-	-	-	-	626	626
Foreign exchange movement	-	-	-	(39)	-	(39)
Share option charge	-	-	127	-	-	127
At 31 December 2017	2,134	10,323	213	121	(10,139)	2,652

ITIM Group Limited

Company Registration number: 03486926

**Consolidated Statement of Financial Position
As at 31 December 2017**

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	12	4,400	5,086
Plant and equipment	13	60	33
Investments	14	-	12
		<u>4,460</u>	<u>5,131</u>
Current assets			
Trade and other receivables	15	2,705	1,346
Cash and cash equivalents		1,044	497
		<u>3,749</u>	<u>1,843</u>
Total assets		<u>8,209</u>	<u>6,974</u>
Current liabilities			
Trade and other payables	16	(895)	(748)
Non-current liabilities			
Loans and borrowings	17	(2,307)	(2,354)
Total liabilities		<u>(3,202)</u>	<u>(3,102)</u>
Net assets		<u>5,007</u>	<u>3,872</u>
Accruals and deferred income	18	2,355	1,934
Capital and reserves			
Called up share capital	20	2,134	2,134
Share premium account		10,323	10,323
Share options reserve		213	86
Foreign exchange reserve		121	160
Retained losses		(10,139)	(10,765)
Shareholders' funds		<u>2,652</u>	<u>1,938</u>
		<u>5,007</u>	<u>3,872</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

16th May 2018

ITIM Group Limited

Company Registration number: 03486926

**Company Statement of Financial Position
As at 31 December 2017**

	Note	2017 £'000	2016 £'000
Non-current assets			
Investments	14	2,760	3,149
Plant and equipment	13	1	2
		<u>2,761</u>	<u>3,151</u>
Current assets			
Trade and other receivables	15	7,458	6,456
Cash and cash equivalents		22	16
		<u>7,480</u>	<u>6,472</u>
Total assets		<u>10,241</u>	<u>9,623</u>
Current liabilities			
Trade and other payables	16	<u>(38)</u>	<u>(30)</u>
Non-current liabilities			
Loans and borrowings	17	<u>(2,307)</u>	<u>(2,354)</u>
Total liabilities		<u>(2,345)</u>	<u>(2,384)</u>
Net assets		<u>7,896</u>	<u>7,239</u>
Equity			
Called up share capital	20	2,134	2,134
Share premium account	22	10,323	10,323
Share options reserve	22	213	86
Retained losses	22	(4,774)	(5,304)
Equity shareholders' funds		<u>7,896</u>	<u>7,239</u>

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

16th May 2018

Signed on behalf of the Board of Directors


I D Hayes
Director

ITIM Group Limited

Consolidated Cash Flow Statement Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit after taxation		626	1,019
Adjustments for:			
Taxation	11	(40)	(247)
Finance costs	10	170	403
Finance income		(21)	-
Exchange gain		(39)	(194)
Amortisation and depreciation	12/13	1,200	1,137
Share option charge		127	-
Profit on disposal of subsidiary undertaking	5	-	(1,809)
Cash flows from operations before changes in working capital		2,023	309
Movement in trade and other receivables		(1,601)	30
Movement in trade and other payables		551	(259)
Cash generated from operations		973	80
Finance costs	10	(170)	(89)
Finance income		21	-
Corporation tax refund		310	314
Net cash flows from operating activities		1,134	305
Cash flows from investing activities			
Capital expenditure on intangible assets	12	(488)	(366)
Purchase of plant and equipment	13	(52)	(22)
Purchase of investments	14	-	(12)
Receipt from disposal of subsidiary undertaking		-	2,000
Net cash flows from investing activities		(540)	1,600
Cash flows from financing activities			
Loan repayments		(100)	(2,186)
Accrued interest		53	-
Issue of share capital		-	100
Net cash flows from financing activities		(47)	(2,086)
Net increase in cash and cash equivalents		547	(181)
Cash and cash equivalents at beginning of year		497	678
Cash and cash equivalents at end of year		1,044	497

ITIM Group Limited

Company Cash Flow Statement Year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit after taxation	530	548
Adjustments for:		
Finance costs	150	384
Finance income	(21)	-
Amortisation and impairment losses	1	1
Share option charge	127	-
Loss on disposal of subsidiary undertaking	389	449
Cash flows from operations before changes in working capital	1,176	1,382
Movement in trade and other receivables	(1,001)	(1,109)
Movement in trade and other payables	7	(112)
Cash generated from operations	182	161
Finance costs	(150)	(70)
Finance income	21	-
Net cash flows from operating activities	53	91
Cash flows from investing activities		
Receipt from disposal of subsidiary undertaking	-	2,000
Net cash flows from investing activities	-	2,000
Cash flows from financing activities		
Loan repayments	(100)	(2,186)
Accrued interest	53	-
New loans	-	100
Net cash flows from financing activities	(47)	(2,086)
Net increase in cash and cash equivalents	6	5
Cash and cash equivalents at beginning of year	16	11
Cash and cash equivalents at end of year	22	16

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

1. Corporate Information

The consolidated financial statements of ITIM Group Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 16 May 2018. 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.

The Company's financial statements have been prepared under IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union and as permitted by section 408 of the Companies Act 2006, no income statement is presented for the company. The Company made a profit of £530,000 for the year ended 31 December 2017 (2016: £548,000).

The financial statements are presented in GBP, which is also the company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

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.

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

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

3. Accounting policies (continued)

- Maintenance revenue is deferred and recognised in the Statement of Comprehensive Income 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 Group 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 Comprehensive 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 Comprehensive 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 Statement of Comprehensive Income 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.

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 Statement of Comprehensive Income.

The carrying values of intangible assets are reviewed for impairment whenever 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 2017

3. Accounting policies (continued)

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 Statement of Comprehensive Income.

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.

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.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

3. Accounting policies (continued)

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 Comprehensive 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 Statement of Comprehensive Income 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.

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.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

3. Accounting policies (continued)

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 Black Scholes 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 Statement of Comprehensive Income 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.

Use of assumptions and estimates

The Group 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.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

3. Accounting policies (continued)

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 2017.

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

IAS 7 – Statement of Cash Flows disclosure
IAS 12 – Recognition of Deferred Tax Assets for unrealised
Amendments to IFRS – Annual Improvements to IFRSs 2014-2016 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 2017 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 2019, with earlier adoption permitted.

IFRS 16 – Leases. Effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. Effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between Investor and its Associate or Joint Venture. Effective for annual periods beginning on or after a date to be determined.

Amendments to IAS 40 – Transfers of Investment property. Effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted.

Amendments to IFRSs – Annual Improvements to IFRSs 2014-2016 cycle. Effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration – Effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

4. Segmental analysis – Geographical analysis

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

	2017	2016
	£'000	£'000
United Kingdom	6,184	5,432
Europe	132	623
Rest of World	3,836	1,730
	<u>10,152</u>	<u>7,785</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

5. Exceptional

	2017	2016
	£'000	£'000
Profit on disposal of subsidiary undertaking	-	1,809

In 2016, this represented the profits from the sale of EDI Plus Limited, a subsidiary undertaking that was sold to Lighthouse Technology Limited, to enable the group to reduce its debt profile. The profit on disposal represents the consideration of £2,000,000 less the fair value of the assets disposed of.

6. Profit on operating activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2017	2016
	£'000	£'000
Depreciation of tangible fixed assets		
- owned	25	29
Amortisation of capitalised research and development	1,175	1,108
Operating lease rentals		
- plant and machinery	24	63
- other	141	204
Net exchange differences on foreign currency transactions	(14)	(172)
Auditors' remuneration (see note 7)	28	20

7. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	2017	2016
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	2	2
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	13	12
- Tax services	4	2
- Accounts preparation services	-	4
- Other fees	9	-
Total other services	26	18

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

8. Employee information

Employment costs - group

	2017 £'000	2016 £'000
Wages and salaries	4,275	3,967
Social security costs	564	511
Other pension costs	197	207
Other benefits	40	44
	<u>5,076</u>	<u>4,729</u>

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

	2017 No.	2016 No.
Selling and administration	27	20
Technical	76	80
	<u>103</u>	<u>100</u>

9. Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	304	281
Pension contributions (money purchase schemes)	25	25
	<u>329</u>	<u>306</u>

Total directors' emoluments disclosed above is equivalent to total key management personnel compensation in the period.

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

	2017 £'000	2016 £'000
Aggregate emoluments	150	152
Pension contributions (money purchase schemes)	8	8
	<u>158</u>	<u>160</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

9. Directors' emoluments (cont'd)

	2017 No.	2016 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 Black Scholes Model.

A total of 12,000,000 (2016 – nil) share options were issued to Directors in the period.

Included on the face of the Statement of Comprehensive Income, is a total charge for share based payments of £127,000 (2016: £nil) which arises wholly from transactions accounted for as equity settled share based payments.

10. Finance costs

	2017 £'000	2016 £'000
Other interest and similar charges	<u>170</u>	<u>403</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

11. Taxation

(a) Taxation charge:

	2017 £'000	2016 £'000
Total current income tax credit charged in the income statement		
Research and development tax credit	18	(250)
Adjustment in respect of prior years	(58)	3
	<u>(40)</u>	<u>(247)</u>

(b) Taxation reconciliation:

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

	2017 £'000	2016 £'000
Profit before tax	<u>586</u>	<u>772</u>
Loss at the standard UK income tax rate of 19% (2016: 20%)	111	154
Effects of:		
Expenses not deductible for tax purposes	19	192
Exempt disposal of subsidiary	-	(362)
Capital allowances in excess of depreciation	(8)	(3)
Tax losses utilised as part of research and development tax credit	(90)	(250)
Tax losses brought forward utilised in the year	-	(3)
Unrelieved tax losses and other deductions arising in the year	28	22
Adjustment in respect of earlier year	(58)	3
Difference in overseas tax rates	(42)	-
	<u>(40)</u>	<u>(247)</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 £9 million (2016: £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:

	2017 £'000	2016 £'000
Fixed asset timing differences	1	9
Losses and other deductions	1,710	1,720
	<u>1,711</u>	<u>1,729</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

12. Intangible assets

<i>Group</i>	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2017	8,867	7,883	16,750
Foreign exchange differences	30	-	30
Additions	488	-	488
Disposals	-	-	-
31 December 2017	<u>9,385</u>	<u>7,883</u>	<u>17,268</u>
Amortisation			
At 1 January 2017	6,905	4,759	11,664
Foreign exchange differences	29	-	29
Charge for the year	1,175	-	1,175
Amortisation on disposal	-	-	-
At 31 December 2017	<u>8,109</u>	<u>4,759</u>	<u>12,868</u>
Net book value			
At 31 December 2017	<u>1,276</u>	<u>3,124</u>	<u>4,400</u>
At 31 December 2016	<u>1,962</u>	<u>3,124</u>	<u>5,086</u>

<i>Company</i>	Development costs £'000	Total £'000
Cost		
At 1 January 2017 and at 31 December 2017	<u>13</u>	<u>13</u>
Amortisation		
At 1 January 2017 and at 31 December 2017	<u>13</u>	<u>13</u>
Net book value		
At 31 December 2017	<u>-</u>	<u>-</u>
At 31 December 2016	<u>-</u>	<u>-</u>

Development costs for The Retail Suite 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 2017

13. Plant and equipment

Group

	Fixtures and equipment £'000	Total £'000
Cost		
At 1 January 2017	844	844
Additions	52	52
At 31 December 2017	<u>896</u>	<u>896</u>
Depreciation		
At 1 January 2017	811	811
Charge for the year	25	25
At 31 December 2017	<u>836</u>	<u>836</u>
Net book value		
At 31 December 2017	<u>60</u>	<u>60</u>
At 31 December 2016	<u>33</u>	<u>33</u>

Company

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 January 2017 and at 31 December 2017	<u>16</u>	<u>16</u>
Depreciation		
At 1 January 2017	14	14
Charge for the year	1	1
At 31 December 2017	<u>15</u>	<u>15</u>
Net book value		
At 31 December 2017	<u>1</u>	<u>1</u>
At 31 December 2016	<u>2</u>	<u>2</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

14. 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 2017	6,083	46	6,129
Disposals	(389)		(389)
31 December 2017	<u>5,694</u>	<u>46</u>	<u>5,740</u>
Provision for impairment			
At 1 January 2017 and at 31 December 2017	<u>2,934</u>	<u>46</u>	<u>2,980</u>
Net book value			
At 31 December 2017	<u>2,760</u>	<u>-</u>	<u>2,760</u>
At 31 December 2016	<u>3,149</u>	<u>-</u>	<u>3,149</u>

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	Dissolved	(£23)	£nil
ITIM Limited	England and Wales	100%	Ordinary 'A' Ordinary Deferred	Software consultancy and supply	(£513)	(£2,179)
Aim Commercial Systems Limited	England and Wales	100% held by ITIM Limited	Ordinary	Dissolved	(£46)	£nil
ITIM Technology Solutions Limited	England and Wales	100%	Ordinary	Dissolved	£296	£nil
Profimetrics Software Solutions S.A	Portugal	100%	Ordinary Preferred	Development and distribution of software	£644	(£120)

The company also holds shares in the following company:

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

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

15. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	1,771	745	1	-
Income tax	-	252	-	-
Amounts owed by group undertakings due within one year	-	-	5,572	4,645
Amounts owed by group undertakings due in greater than one year	-	-	1,885	1,811
Other receivables	195	74	-	-
Prepayments and accrued income	739	275	-	-
	<u>2,705</u>	<u>1,346</u>	<u>7,458</u>	<u>6,456</u>

16. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	323	261	-	-
Other taxation and social security	425	343	38	-
Other payables	127	144	-	30
Income tax	20	-	-	-
	<u>895</u>	<u>748</u>	<u>39</u>	<u>30</u>

17. Loans and borrowings

Non-Current

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans	1,750	1,850	1,750	1,850
Accrued interest	557	504	557	504
	<u>2,307</u>	<u>2,354</u>	<u>2,307</u>	<u>2,354</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

17. Loans and borrowings (cont'd)

Loans comprise of:

Secured liabilities - Group

1 st charge	2017	2016
External investor	450,000	500,000
Directors	499,534	512,596

Unsecured liabilities – Group

	2017	2016
Directors	700,000	737,404
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%.

Analysis of maturity of loans and borrowings

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2016 £'000	2015 £'000
Amounts payable				
Within two and five years	2,307	2,354	2,307	2,354
	<u>2,307</u>	<u>2,354</u>	<u>2,307</u>	<u>2,354</u>

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

18. Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accruals	387	341	-	-
Deferred income	1,968	1,593	-	-
	<u>2,355</u>	<u>1,934</u>	<u>-</u>	<u>-</u>

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

19. 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.

Liquidity risk

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

Interest rate risk

The Group'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 operates principally in the United Kingdom and as such the majority of the Group's financial assets and liabilities are denominated in sterling.

However, the Group is exposed to some level of currency risk in respect of its activity in the US. The Group is predominately exposed to currency risk to sales made in the US. However, this risk is largely reduced due to a number of liabilities which also occur in the US and which are settled through a US bank account. Therefore, this currency exposure is mitigated through natural hedging.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

20. Share capital

	2017 £'000	2016 £'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:		
	2017 £'000	2016 £'000
103,211,838 Ordinary shares of 1p each	1,032	1,032
110,251,743 Deferred shares of 1p each	1,102	1,102
	<u>2,134</u>	<u>2,134</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 2017

21. 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 the shorter of 2 years from the date of grant or a corporate transaction. 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:

	2017		2016	
	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	13,075,000	3.000p	-	-
Forfeited during the year	(1,950,000)	(1.595p)	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	40,614,426	1.742p	29,489,426	1.595p
Exercisable at the end of the year	-	-	-	-

The options outstanding at 31 December 2017 had a weighted average exercise price of 1.742p, and a weighted average remaining contractual life of 6 years (2016 – 7 years).

Risk-free interest rate

The risk-free interest rate is based on the bank's base rate of 0.5%.

Estimated volatility

The estimated volatility is the amount by which the price is expected to fluctuate during the period and has been estimated by the Board of Directors at 25%.

Term to expiry

The estimated term to expiry has been estimated by the Board of Directors at 10 years.

ITIM Group Limited

Notes to the accounts (continued) Year ended 31 December 2017

26. Related party transactions

As described in note 5, in 2016, the Group sold its shares in EDI Plus Limited to Lighthouse Technology Limited for a consideration of £2,000,000. M A Athar is the sole director of Lighthouse Limited and his wife is the sole shareholder. The directors believe that the transaction was carried out at arm's length.

27. Controlling party

There is no single ultimate controlling party.