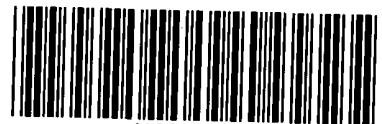


International TechneGroup Limited

Registered Number 01364362

Directors' report and financial statements for the year to 30 June 2017

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OFFICERS AND PROFESSIONAL ADVISORS

Directors

Dr G A Butlin
Mr D Hemmelgarn
Mr T A Gregory
Mr A R Chinn
Mr M R Gammon
Mrs T G McEwan

Secretary

Mrs T G McEwan

Registered Office

4 Carisbrooke Court
Anderson Road
Buckingway Business Park
Swavesey
Cambridge
CB24 4UQ

Bankers

JPMorgan Chase Bank N.A.
Chaseside
Bournemouth
BH7 7DB

Solicitors

Hewitsons Solicitors
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

Auditors

Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
Cambridgeshire
CB4 0FY

Directors' report

The directors present their annual report and the audited financial statements for the year to 30 June 2017.

Principal activities

The company's principal activities are the development, marketing and sale of computer programs and related consultancy services.

Business review

The results for the year show a movement in turnover from £1,638,085 to £2,204,862. This is the result of increased licence sales and an increase in consulting activity.

It is anticipated that 2018/19 will see increased grant and project income as well as some growth in the underlying core business due to expansion into the Germanic market. The taxation charge is slightly below the UK standard rate due to an adjustment from R&D tax credits.

No final dividend is proposed. The balance sheet and cash positions remain strong.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Political and charitable donations

No political or charitable donations were made during the year.

Directors

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

Dr G A Butlin
Mr D Hemmelgarn
Mr T A Gregory
Mr M R Gammon
Mr A R Chinn
Mrs T G McEwan

Post balance sheet events

On 1st January 2018 International TechneGroup Limited established a branch in Germany.

Directors' report (continued)

Statement of Directors Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that,

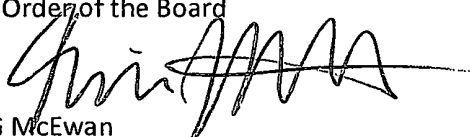
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and establish that the company's auditor is aware of that information.

Auditors Appointment

Grant Thornton UK LLP has indicated its willingness to continue in office as auditors.

This report has been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to small companies.

By Order of the Board


T G McEwan
Director

Date : 20th March 2018

Independent auditors report to the members of International TechneGroup Limited

We have audited the financial statements of International TechneGroup Limited for the year ended 30 June 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of cash flow, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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.

Independent auditors report to the members of International TechneGroup Limited (continued)

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.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Independent auditors report to the members of International TechneGroup Limited
(continued)

Responsibilities of directors for the financial statements

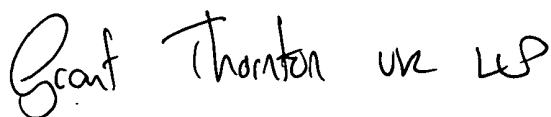
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

Date: 22 March 2018

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	Year to 30/06/2017 £	Year to 30/06/2016 £
Turnover	5	2,204,862	1,638,085
Staff costs	7	(1,379,875)	(1,076,972)
Depreciation and amortisation	6	(12,036)	(10,160)
Other operating charges		(849,059)	(785,038)
Total administrative expenses		(2,240,970)	(1,872,170)
Other operating income		533,461	394,666
Operating profit		497,353	160,581
Interest receivable and similar income	8	1	5,429
Interest payable and similar charges	9	-	(861)
Profit on ordinary activities before taxation		497,354	165,149
Taxation on profit or loss on ordinary activities	10	(47,835)	17,104
Profit for the financial year and total comprehensive income		449,519	182,253

There are no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

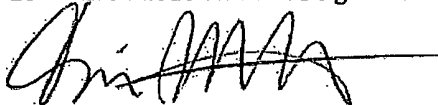
The notes on pages 13 to 28 form part of these financial statements.

Balance Sheet
As at 30 June 2017

	<u>Note</u>	<u>At</u> <u>30/6/2017</u> £	<u>At</u> <u>30/6/2016</u> £
Intangible assets	12	-	-
Tangible assets	13	36,418	24,194
		<u>36,418</u>	<u>24,194</u>
<u>Current assets</u>			
Debtors	14	1,506,753	802,591
Cash at bank and in hand		<u>1,614,963</u>	<u>1,258,501</u>
		<u>3,121,716</u>	<u>2,061,092</u>
Creditors: amounts falling due within one year	15	<u>(1,911,283)</u>	<u>(1,290,513)</u>
Net current assets		<u>1,210,433</u>	<u>770,579</u>
<u>Provision for liabilities</u>			
Deferred taxation	11	<u>(3,718)</u>	<u>(1,159)</u>
		<u>(3,718)</u>	<u>(1,159)</u>
Net assets		<u>1,243,133</u>	<u>793,614</u>
Capital and reserves			
Called up share capital	16	2,772	2,772
Profit and loss account		<u>1,240,361</u>	<u>790,842</u>
Shareholders' funds		<u>1,243,133</u>	<u>793,614</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These financial statements were approved by the board of directors and authorised for issue on 20th March 2018 and were signed on its behalf by:



T G McEwan
Director

The notes on pages 13 to 28 form part of these financial statements.

Statement of cash flow
 For the year ended 30 June 2017

	2017 £	2016 £
<i>Cash flows from operating activities</i>		
Profit for the financial year	449,519	182,253
Adjustments for:		
Depreciation of tangible assets	12,036	10,160
Interest paid	-	861
Interest received	(1)	(5,429)
Taxation	47,835	(17,104)
Profit on disposal of tangible fixed assets	-	(245)
Decrease in trade and other debtors	(721,042)	37,338
Increase in trade creditors	595,890	483,746
Cash from operations	384,237	691,580
Income taxes paid	(3,516)	(40,082)
<i>Net cash generated from operating activities</i>	380,821	651,498
<i>Cash flows from investing activities</i>		
Proceeds from sale of tangible assets	-	245
Purchase of tangible assets	(24,260)	(14,852)
Interest received	1	5,429
<i>Net cash from investing activities</i>	(24,259)	(9,178)
<i>Cash flows from financing activities</i>		
Interest paid	-	(861)
<i>Net cash used in financing activities</i>	-	(861)
<i>Net increase in cash and cash equivalents</i>	356,462	641,459
<i>Cash and cash equivalents at the beginning of the year</i>	1,258,501	617,042
<i>Cash and cash equivalents at the end of the year</i>	1,614,963	1,258,501

The notes on pages 13 to 28 form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2017

	<u>Called up</u> <u>share capital</u>	<u>Profit and</u> <u>Loss account</u>	<u>Total</u>
	£	£	£
At 1 July 2015	2,772	608,589	611,361
Profit and total comprehensive income for the year	-	182,253	182,253
Dividends paid	-	-	-
As at June 2016	2,772	790,842	793,614
Profit and total comprehensive income for the year	-	449,519	449,519
Dividends paid	-	-	-
As at June 2017	2,772	1,240,361	1,243,133

The notes on pages 13 to 28 form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2017

1 Company information

International TechneGroup Limited is a limited liability company incorporated and registered in England and Wales with its registered office and principal place of business located at 4 Carisbrooke Court, Anderson Road, Buckingway Business Park, Swavesey, Cambridgeshire, UK.

The company's principal activity continued to be the development, marketing and sales of computer programs and related consultancy services.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

Consolidation

The subsidiary of the company has been dormant for several years. Consequently, these accounts present the financial position of the company as an individual entity and not as the parent of a group.

Going Concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3 Significant judgements and estimates

The most significant judgements and estimates made in the preparation of these financial statements relate to turnover from the rendering of services which is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

Notes to the financial statements (continued)

4 Principal accounting policies

Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development expenditure is recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs 20% per annum straight line
- Purchased know-how 5% per annum straight line

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method.

The rates applicable are:

- Computer equipment 4 years
- Office equipment 4 to 7 years

Impairment of assets

- At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.
- If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the financial statements (continued)

Investments

Investments comprise investments in subsidiaries which are measured at cost less impairment.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Creditors

Short term trade creditors are measured at the transaction price. The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Notes to the financial statements (continued)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the financial statements (continued)

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the supply of software products and related services and of research consultancy made in the ordinary course of business.

Sale of licenses and support fees

Turnover from the sale of software licenses and support fees is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually upon system acceptance or licence renewal by customers. Sub-licence fees receivable from selling agents are accounted for as they are earned.

Rendering of services in research consultancy

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

Employee benefits

The company operates a money-purchase pension scheme for its employees. Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Called-up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior period retained profits and losses.

Foreign currency translation

Functional currency and presentation currency

The individual financial statements of the company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements transactions in currencies other than the functional currency of the are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the financial statements (continued)

Deferred Income

Income is deferred for maintenance and support contracts and for term licences over the duration of the term licence or support contract.

Other operating income

Other operating income relates to Government Grants. Grant income is recognised when the conditions for its receipt have been complied with and there is reasonable assurance that it will be received.

Related party transactions

FRS 102 does not require disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. The company has utilised this exemption and therefore not disclosed transactions relating to the group headed by International TechneGroup Inc, or its investees.

Notes to the financial statements (continued)

5 Analysis of Turnover

Turnover, analysed geographically by markets, is as follows:

	2017	2016
	£	£
United Kingdom	800,508	444,766
Other EU countries	943,819	750,829
USA	287,588	297,883
Rest of World	172,947	144,607
Total	2,204,862	1,638,085

Turnover, analysed by category, is as follows

	2017	2016
	£	£
Sale of licences and support fees	1,319,451	1,451,162
Consultancy services	885,411	186,923
Total	2,204,862	1,638,085

6 Profit on ordinary activities before taxation

	2017	2016
	£	£
The profit on ordinary activities before taxation is stated after:		
Depreciation and amortisation		
Owned computers and equipment	12,036	10,160
Rentals under operating leases		
Hire of office equipment and vehicles	14,381	1,182
Land and buildings	44,100	44,100
Auditor's remuneration		
Audit fees	10,300	9,950
Non-audit fees taxation	8,210	9,350
Non-audit fees grant reviews	2,600	3,400
Profit from sale of fixed assets	-	(245)
Foreign exchange	(40,850)	(48,184)

Notes to the financial statements (continued)

7 Directors and Employees

Staff costs

	2017	2016
	£	£
The aggregate payroll costs were as follows:		
Wages and salaries	1,198,068	932,510
Social security costs	137,783	105,342
Pension costs	44,024	39,120
	1,379,875	1,076,972

The average number of persons employed was as follows:

	2017	2016
Administration	3	3
Technical and sales	19	16
	22	19

Remuneration of directors

	2017	2016
	£	£
Directors' emoluments	368,636	227,185
Contributions to money purchase pension schemes	11,680	8,232
	380,316	235,417

Retirement benefits are accruing to the following number of directors under Money purchase schemes:

Numbers of directors	
<u>2017</u>	<u>2016</u>
3	3

Notes to the financial statements (continued)

8 Other interest receivable and similar income

	2017	2016
	£	£
Bank interest receivable	1	2
Exchange gain on finance activities	-	5,427
	1	5,429

9 Interest payable and similar charges

	2017	2016
	£	£
Other interest payable	-	861

Notes to the financial statements (continued)

10 Taxation

	<u>Note</u>	2017 £	2016 £
<i>UK corporation tax:</i>			
Corporation tax on profits for the year		41,954	(16,880)
Foreign tax		3,516	3,155
Adjustments in respect of prior years:			
- Corporation tax overprovided in previous years		(194)	(14,288)
- Foreign tax		-	-
Total current tax charge/(credit)		45,276	(28,013)
Deferred tax	11	2,559	10,909
Tax on profit on ordinary activities		47,835	(17,104)

Factors affecting the tax charge for the current period:

The current tax charge for the period differs from the standard rate of corporation tax in the UK. The differences are explained below.

Tax reconciliation

	2017 £	2016 £
Profit on ordinary activities before tax	497,354	165,149
Current tax at 19.75% (2016 20%)	98,227	33,030
Effects of:		
- Expenses not deductible for tax purposes	3,235	2,965
- Additional deduction for R & D expenditure	-	-
- R&D expenditure credits	13,031	9,671
- RDEC 2016	(65,975)	(48,353)
- Deferred tax adjustment average rate	(489)	(129)
Adjustment for tax in respect of previous years	(194)	(14,288)
	47,835	(17,104)

Notes to the financial statements (continued)

11 Deferred tax liability

	2016	Transfers to/from profit and loss	2017
	£	£	£
The elements of deferred taxation are as follows:			
Short-term timing differences	-	-	-
Capital allowances carried forward in excess of written down values in the accounts	(1,159)	(2,559)	(3,718)
	<u>(1,159)</u>	<u>(2,559)</u>	<u>(3,718)</u>
Deferred tax liability	<u>(1,159)</u>	<u>(2,559)</u>	<u>(3,718)</u>

12 Intangible fixed assets

	Development expenditure	Purchased know how	Total
	£	£	£
Cost			
As at 1 July 2016 and 30 June 2017	438,322	200,000	638,322
Amortisation			
As at 1 July 2016 and 30 June 2017	438,322	200,000	638,322
Net book value			
As at 1 July 2016 and 30 June 2017	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

13 Tangible fixed assets

Tangible fixed assets	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Total</u>
		£	£
Cost			
As at 1 July 2016	117,366	50,640	168,006
Additions	17,418	6,842	24,260
Disposals			
As at 30 June 2017	134,784	57,482	192,266
Depreciation			
As at 1 July 2016	97,765	46,047	143,812
Charge for the year	9,727	2,309	12,036
Disposals			
As at 30 June 2017	107,492	48,356	155,848
Net book value			
As at 30 June 2016	19,601	4,593	24,194
As at 30 June 2017	27,292	9,126	36,418

14 Debtors

	2017	2016
	£	£
Trade debtors	510,834	238,948
Amounts owed by parent undertaking	289,168	247,946
Accrued income from parent undertaking	-	4,555
Accrued income	605,322	223,183
Corporation Tax	-	16,880
Prepayments	101,429	71,079
	<u>1,506,753</u>	<u>802,591</u>

Notes to the financial statements (continued)

15 Creditors

Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	35,486	18,348
Amounts owed to parent undertaking	21,146	51,476
Amounts owed to fellow subsidiaries	145,009	66,224
Corporation tax	24,880	-
Other taxation and social security	72,548	32,076
Deferred Income	599,523	544,383
Amounts received in advance	875,728	507,667
Accruals	136,963	70,339
	<u>1,911,283</u>	<u>1,290,513</u>

16 Called up share capital

	2017 Number	2017 £	2016 Number	2016 £
<i>Allotted, called up, and fully paid</i>				
Equity: Founder ordinary shares of half penny each	269,775	1,349	269,775	1,349
Equity: Ordinary shares of half penny each	284,661	1,423	284,661	1,423
		<u>2,772</u>		<u>2,772</u>

Founder shares have attached to them full voting, dividend and capital distribution (including on winding-up) rights, they do not confer any rights of redemption.

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding-up) rights, they do not confer any rights of redemption.

Notes to the financial statements (continued)

17 Commitments

Capital commitments

No capital expenditure, other than that included in these financial statements, had been committed by the year end.

Operating lease commitments

The company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Operating leases expiring within one year		
- Property	44,100	44,100
- Other	220	941
Operating leases expiring within two to five years		
- Property	11,025	55,125
- Other	4,161	2,672
	<u>59,506</u>	<u>102,838</u>

18 Transactions with related parties

All directors and certain senior employees who have authority and responsibility for directing and controlling the activities of the company are considered to be key personnel. Total remuneration in respect of these is £428,614 (2016 £327,259).

Notes to the financial statements (continued)

19 Financial Risk Management

The company has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the company is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The company is exposed to currency exchange rate risk due to a proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The risk is not too significant so no active management of this risk is undertaken.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the company and its directors are confident that it would have access to credit facilities. At the moment, the company is in position to meet its commitments and obligations as they come due.

Customer credit exposure

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships.

20 Financial Assets and Liabilities

	2017 £	2016 £
Financial assets measured at amortised cost	2,414,965	1,745,395
Financial liabilities measured at amortised cost	1,214,332	714,054

Financial assets measured at amortised cost comprise cash, trade receivables and inter-company transactions.

Financial liabilities measured at amortised cost comprise trade creditors, inter-company, amounts received in advance and accruals.

Notes to the financial statements (continued)

21 Ultimate parent company and controlling party

The ultimate parent company and controlling party is International TechneGroup Inc. (ITI) which is registered in the United State of America. The largest and smallest group in which the results of the company are consolidated is that headed by ITI.

The consolidated financial statements of the group are available from ITI at:

5303 DuPont Circle
Milford
Ohio
45150-2734
USA

22 Post balance sheet event

On 1st January 2018, International TechneGroup Limited established a branch in Germany.