

Company Registration No. 02219814 (England and Wales)

ITEC CONNECT LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019



ITEC CONNECT LTD

COMPANY INFORMATION

| | | |
|--------------------------|---|---------------------------|
| Directors | G J Tozer | |
| | N L Orme | |
| | J Arscott | |
| | M D French | |
| | D C Young | |
| | B Summerfield | (Appointed 26 April 2018) |
| | I D Stewart | (Appointed 26 April 2018) |
| | P J Ford | (Appointed 26 April 2018) |
| Secretary | S J Bartlett | |
| Company number | 02219814 | |
| Registered office | ITEC House Hawkfield Way Whitchurch Bristol BS14 0BL | |
| Auditor | Baldwins Audit Services 5 Pullman Court Great Western Road Gloucester GL1 3ND | |
| Business address | ITEC House Hawkfield Way Whitchurch Bristol BS14 0BL | |

ITEC CONNECT LTD

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ITEC CONNECT LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The directors present the strategic report for the year ended 28 February 2019.

Fair review of the business

The beginning of this financial year commenced with the completion of ITEC's largest acquisition, when Copyrite Business Solutions and its IT services subsidiary, Criterion, were purchased on 26th April 2018.

This has allowed ITEC to continue to grow its geographic dominance in the South and South West of the UK and provided a further platform for expansion of our IT Services and Unified Communications offerings alongside our traditional managed print portfolio.

During the year we consolidated our acquisitions of Copyrite, Criterion, Reflex and Stem into the single ITEC Connect Limited trading entity and a common brand. This has meant that all of our customers now receive the same experience regardless of which business they originally contracted with; a single CRM, ticketing platform and finance platform now controls the entire business. As part of this process, we absorbed significant one-off integration costs. When these one off costs are excluded, EBITDA has increased by 36.6% year on year.

Our wholly owned subsidiary business, Mailadoc, has also continued to go from strength to strength. Turnover has increased by 68% year on year, mainly due to new customer growth. We have continued to invest in the latest technology within this business which has helped to ensure we are able to scale the business more quickly as demand grows.

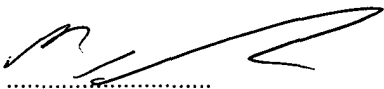
The growth in our IT Services revenues is core to our medium-term strategy and these surpassed our targets for the financial year. The directors of ITEC continue to be excited about the future prospects of the business and are pleased with the financial performance.

Principal Risks and Uncertainties

The continued economic uncertainty and the ongoing delay of the UK's exit from the EU has continued to have an effect on customer confidence, however generally ITEC has continued to prosper despite these concerns. The steady devaluation of the pound has led to price pressure from our manufacturer partners, but they continue to work closely with us to ensure we remain competitive in the marketplace.

The directors of ITEC continue to be satisfied with the financial, strategic and operational performance during the past 12 months and of its position at the end of the year.

On behalf of the board



N L Orme

Director

26/11/2019

ITEC CONNECT LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The directors present their annual report and financial statements for the year ended 28 February 2019.

Principal activities

The principal activity of the company and group continued to be that of the selling and servicing of printers and photocopiers and the provision of related software and IT services.

Directors

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

| | |
|---------------|--|
| G J Tozer | |
| N L Orme | |
| J Arscott | |
| M D French | |
| P J Perkins | (Resigned 12 June 2018 and reappointed 1 September 2018) |
| D C Young | |
| B Summerfield | (Appointed 26 April 2018) |
| I D Stewart | (Appointed 26 April 2018) |
| P J Ford | (Appointed 26 April 2018) |
| J Duyver | (Appointed 12 June 2018 and resigned 5 February 2019) |

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £92,418. The directors do not recommend payment of a further dividend.

Auditor

In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ITEC CONNECT LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually 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 auditor of the company is aware of that information.

On behalf of the board



.....
N L Orme
Director

Date: 26/11/2019

ITEC CONNECT LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ITEC CONNECT LTD

Opinion

We have audited the financial statements of ITEC Connect Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2019 and of the group's loss 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.

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.

ITEC CONNECT LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ITEC CONNECT LTD

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 and the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; 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, 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.

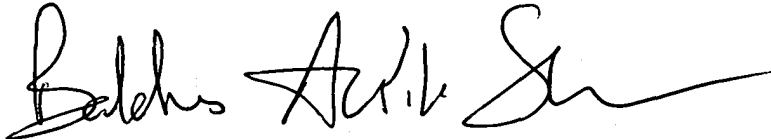
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ITEC CONNECT LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ITEC CONNECT LTD

Use of our report

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



Mark Handscombe (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

26/11/19

Statutory Auditor

5 Pullman Court
Great Western Road
Gloucester
GL1 3ND

ITEC CONNECT LTD

GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | 2019 £ | 2018 £ |
|---|----------|--------------------|-------------------|
| Turnover | 3 | 39,737,105 | 27,853,160 |
| Cost of sales | | (22,833,589) | (16,198,174) |
| Gross profit | | 16,903,516 | 11,654,986 |
| Distribution costs | | (9,262,423) | (6,128,520) |
| Administrative expenses | | (8,057,241) | (5,149,074) |
| Operating (loss)/profit | 4 | (416,148) | 377,392 |
| Interest receivable and similar income | 8 | - | 27,033 |
| Interest payable and similar expenses | 9 | (437,640) | (65,128) |
| (Loss)/profit before taxation | | (853,788) | 339,297 |
| Taxation | 10 | (171,357) | (151,089) |
| (Loss)/profit for the financial year | | (1,025,145) | 188,208 |
| (Loss)/profit for the financial year is attributable to: | | | |
| - Owners of the parent company | | (988,717) | 221,763 |
| - Non-controlling interests | | (36,428) | (33,555) |
| | | (1,025,145) | 188,208 |
| (Loss)/profit for the financial year is all attributable to the owners of the parent company. | | | |
| Total comprehensive income for the year is attributable to: | | | |
| - Owners of the parent company | | (988,717) | 221,763 |
| - Non-controlling interests | | (36,428) | (33,555) |
| | | (1,025,145) | 188,208 |

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

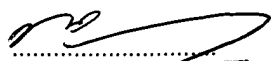
ITEC CONNECT LTD

GROUP BALANCE SHEET

AS AT 28 FEBRUARY 2019

| | Notes | 2019 | | 2018 | |
|--|-------|--------------|-------------|--------------|-------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Goodwill | 12 | | 11,497,825 | | 4,250,347 |
| Other intangible assets | 12 | | 71,968 | | 60,606 |
| Total intangible assets | | | 11,569,793 | | 4,310,953 |
| Tangible assets | 13 | | 2,605,163 | | 2,280,376 |
| | | | 14,174,956 | | 6,591,329 |
| Current assets | | | | | |
| Stocks | 17 | 5,657,386 | | 4,178,139 | |
| Debtors | 18 | 8,405,292 | | 5,595,778 | |
| Cash at bank and in hand | | 165,993 | | 865,738 | |
| | | 14,228,671 | | 10,639,655 | |
| Creditors: amounts falling due within one year | 19 | (19,590,440) | | (12,106,447) | |
| Net current liabilities | | | (5,361,769) | | (1,466,792) |
| Total assets less current liabilities | | | 8,813,187 | | 5,124,537 |
| Creditors: amounts falling due after more than one year | 20 | | (3,853,715) | | (389,694) |
| Provisions for liabilities | 23 | | (244,728) | | (211,725) |
| Net assets | | | 4,714,744 | | 4,523,118 |
| Capital and reserves | | | | | |
| Called up share capital | 25 | | 205 | | 188 |
| Share premium account | | | 3,187,639 | | 1,879,925 |
| Merger reserve | | | 807,584 | | 807,584 |
| Capital redemption reserve | | | 3 | | 3 |
| Profit and loss reserves | | | 853,432 | | 1,933,109 |
| Equity attributable to owners of the parent company | | | 4,848,863 | | 4,620,809 |
| Non-controlling interests | | | (134,119) | | (97,691) |
| | | | 4,714,744 | | 4,523,118 |

The financial statements were approved by the board of directors and authorised for issue on 26/11/2019 and are signed on its behalf by:



N L Orme
Director

ITEC CONNECT LTD

COMPANY BALANCE SHEET

AS AT 28 FEBRUARY 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|--|-------|--------------------|---|-------------------|---|
| Fixed assets | | | | | |
| Goodwill | 12 | 11,487,031 | | 1,481,376 | |
| Tangible assets | 13 | 1,711,460 | | 780,381 | |
| Investments | 14 | 1,198,120 | | 3,423,034 | |
| | | <u>14,396,611</u> | | <u>5,684,791</u> | |
| Current assets | | | | | |
| Stocks | 17 | 5,557,518 | | 4,014,834 | |
| Debtors | 18 | 7,650,244 | | 5,571,892 | |
| Cash at bank and in hand | | 56,867 | | 621,235 | |
| | | <u>13,264,629</u> | | <u>10,207,961</u> | |
| Creditors: amounts falling due within one year | 19 | (17,499,112) | | (10,522,709) | |
| Net current liabilities | | <u>(4,234,483)</u> | | <u>(314,748)</u> | |
| Total assets less current liabilities | | <u>10,162,128</u> | | <u>5,370,043</u> | |
| Creditors: amounts falling due after more than one year | 20 | (3,608,757) | | (13,079) | |
| Provisions for liabilities | 23 | (92,580) | | (84,128) | |
| Net assets | | <u>6,460,791</u> | | <u>5,272,836</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 25 | 205 | | 188 | |
| Share premium account | | 3,187,639 | | 1,879,925 | |
| Merger reserve | | 807,584 | | 807,584 | |
| Capital redemption reserve | | 3 | | 3 | |
| Profit and loss reserves | | 2,465,360 | | 2,585,136 | |
| Total equity | | <u>6,460,791</u> | | <u>5,272,836</u> | |

The financial statements were approved by the board of directors and authorised for issue on 26.1.11.2019 and are signed on its behalf by:



N L Orme
Director

Company Registration No. 2219814

ITEC CONNECT LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | Share capital £ | Share premium account £ | Capital redemption reserve £ | Other reserves £ | Profit and loss reserves £ | Total controlling interest £ | Non-controlling interest £ | Total £ |
|--|-------|--------------------|----------------------------|---------------------------------|---------------------|-------------------------------|---------------------------------|-------------------------------|-------------|
| Balance at 1 March 2017 | | 188 | 1,879,925 | 3 | 807,584 | 1,765,718 | 4,453,418 | (64,136) | 4,389,282 |
| Year ended 28 February 2018: | | | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - | 221,763 | 221,763 | (33,555) | 188,208 |
| Dividends | 11 | - | - | - | - | (54,372) | (54,372) | - | (54,372) |
| Balance at 28 February 2018 | | 188 | 1,879,925 | 3 | 807,584 | 1,933,109 | 4,620,809 | (97,691) | 4,523,118 |
| Year ended 28 February 2019: | | | | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | - | (988,717) | (988,717) | (36,428) | (1,025,145) |
| Issue of share capital | 25 | 17 | 1,307,714 | - | - | - | 1,307,731 | - | 1,307,731 |
| Dividends | 11 | - | - | - | - | (92,418) | (92,418) | - | (92,418) |
| Balance at 28 February 2019 | | 205 | 3,187,639 | 3 | 807,584 | 853,432 | 4,848,863 | (134,119) | 4,714,744 |

ITEC CONNECT LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | Share capital £ | Share premium account £ | Capital redemption reserve £ | Other reserves £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------|---------------------------------|---------------------|-------------------------------|------------|
| Balance at 1 March 2017 | | 188 | 1,879,925 | 3 | 807,584 | 2,220,620 | 4,908,320 |
| Year ended 28 February 2018: | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - | 418,888 | 418,888 |
| Dividends | 11 | - | - | - | - | (54,372) | (54,372) |
| Balance at 28 February 2018 | | 188 | 1,879,925 | 3 | 807,584 | 2,585,136 | 5,272,836 |
| Year ended 28 February 2019: | | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | - | (27,358) | (27,358) |
| Issue of share capital | 25 | 17 | 1,307,714 | - | - | - | 1,307,731 |
| Dividends | 11 | - | - | - | - | (92,418) | (92,418) |
| Balance at 28 February 2019 | | 205 | 3,187,639 | 3 | 807,584 | 2,465,360 | 6,460,791 |

ITEC CONNECT LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|-------------|--------------------|-------------|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | | 4,203,616 | | 1,273,154 | |
| Interest paid | | (437,640) | | (65,128) | |
| Income taxes (paid)/refunded | | (465,719) | | 178,166 | |
| Net cash inflow from operating activities | | 3,300,257 | | 1,386,192 | |
| Investing activities | | | | | |
| Purchase of intangible assets | (8,625,332) | | (1,532,265) | | |
| Purchase of tangible fixed assets | (1,598,004) | | (654,329) | | |
| Proceeds on disposal of tangible fixed assets | 420,943 | | 190,835 | | |
| Proceeds from other investments and loans | (9,776) | | - | | |
| Dividends received | - | | 27,033 | | |
| Net cash used in investing activities | | (9,812,169) | | (1,968,726) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | 1,307,731 | | - | | |
| Additional lending | 4,636,515 | | 57,091 | | |
| Payment of finance leases obligations | (39,661) | | 467,575 | | |
| Dividends paid to equity shareholders | (92,418) | | (54,372) | | |
| Net cash generated from financing activities | | 5,812,167 | | 470,294 | |
| Net decrease in cash and cash equivalents | | (699,745) | | (112,240) | |
| Cash and cash equivalents at beginning of year | | 865,738 | | 977,978 | |
| Cash and cash equivalents at end of year | | 165,993 | | 865,738 | |

ITEC CONNECT LTD

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|--------------|---------------------|-------------|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | | 4,447,368 | | 1,520,450 | |
| Interest paid | | (387,428) | | (34,993) | |
| Income taxes paid | | (437,300) | | (1) | |
| Net cash inflow from operating activities | | 3,622,640 | | 1,485,456 | |
| Investing activities | | | | | |
| Purchase of intangible assets | (11,137,936) | | - | | |
| Purchase of tangible fixed assets | (1,535,231) | | (244,888) | | |
| Proceeds on disposal of tangible fixed assets | 500 | | 800 | | |
| Payments to acquire subsidiaries | 2,224,914 | | (1,518,550) | | |
| Interest received | 19,677 | | - | | |
| Dividends received | 315,000 | | 78,033 | | |
| Net cash used in investing activities | | (10,113,076) | | (1,684,605) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | 1,307,731 | | - | | |
| Repayment of bank loans | 4,675,000 | | - | | |
| Payment of finance leases obligations | 35,757 | | (13,967) | | |
| Dividends paid to equity shareholders | (92,418) | | (54,372) | | |
| Net cash generated from/(used in) financing activities | | 5,926,070 | | (68,339) | |
| Net decrease in cash and cash equivalents | | (564,366) | | (267,488) | |
| Cash and cash equivalents at beginning of year | | 621,235 | | 888,723 | |
| Cash and cash equivalents at end of year | | 56,867 | | 621,235 | |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

Company information

ITEC Connect Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL.

The group consists of ITEC Connect Ltd and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

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

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Merger relief under Section 612 of the Companies Act 2006 has been applied to the share for share exchange in relation to the acquisition of the Stern Networks Limited group whereby the premium of the share issue is represented in a merger reserve.

The consolidated financial statements incorporate those of ITEC Connect Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 28 February 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Research and development expenditure

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

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.7 Intangible fixed assets other than goodwill

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

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

| | |
|-------------------|-------------------|
| Development costs | 10% Straight Line |
|-------------------|-------------------|

1.8 Tangible fixed assets

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

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

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

| | |
|--------------------------|---|
| Rental equipment | Straight line over length of rental agreement |
| Improvements to property | Straight line over length of lease |
| Leasehold improvements | Over the length of the lease |
| Plant and equipment | Straight line over 2-3 years |
| Fixtures and fittings | Straight line over 6 years |
| Computers | Straight line over 2-3 years |
| Motor vehicles | Straight line over 5 years |

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

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.10 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

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

1.15 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.17 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.19 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

| | 2019 £ | 2018 £ |
|----------------------------------|-------------------|-------------------|
| Turnover | | |
| Sales | 39,737,105 | 27,853,160 |
| | <u> </u> | <u> </u> |
| Other significant revenue | | |
| Dividends received | - | 27,033 |
| | <u> </u> | <u> </u> |

4 Operating (loss)/profit

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Operating (loss)/profit for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 823,161 | 506,867 |
| Depreciation of tangible fixed assets held under finance leases | 27,255 | 12,288 |
| (Profit)/loss on disposal of tangible fixed assets | (577) | 22,666 |
| Amortisation of intangible assets | 1,366,493 | 581,539 |
| Cost of stocks recognised as an expense | 22,420,947 | 14,980,319 |
| Operating lease charges | 1,237,914 | 732,484 |
| | <u> </u> | <u> </u> |

5 Auditor's remuneration

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 19,900 | 15,640 |
| Audit of the financial statements of the company's subsidiaries | 7,375 | 10,181 |
| | <u> </u> | <u> </u> |
| | 27,275 | 25,821 |
| | <u> </u> | <u> </u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

6 Employees

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

| | Group 2019 Number | 2018 Number | Company 2019 Number | 2018 Number |
|---------------------|-------------------------|----------------|---------------------------|----------------|
| Directors | 28 | 15 | 7 | 9 |
| Sales and Marketing | 39 | 43 | 39 | 31 |
| Service and Support | 170 | 124 | 170 | 124 |
| Finance and Admin | 22 | 20 | 22 | 20 |
| | <u>259</u> | <u>202</u> | <u>238</u> | <u>184</u> |

Their aggregate remuneration comprised:

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-----------------------|--------------------|------------------|----------------------|------------------|
| Wages and salaries | 9,076,513 | 6,147,335 | 7,612,749 | 5,171,488 |
| Social security costs | 1,160,576 | 682,890 | 905,667 | 562,168 |
| Pension costs | 387,891 | 137,260 | 306,273 | 132,230 |
| | <u>10,624,980</u> | <u>6,967,485</u> | <u>8,824,689</u> | <u>5,865,886</u> |

7 Directors' remuneration

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 724,792 | 662,957 |
| Company pension contributions to defined contribution schemes | 93,444 | 19,390 |
| | <u>818,236</u> | <u>682,347</u> |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2019 £ | 2018 £ |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | <u>167,433</u> | <u>200,600</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

8 Interest receivable and similar income

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Income from fixed asset investments | | |
| Income from shares in group undertakings | - | 27,033 |

9 Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 13,104 | 3,143 |
| Interest on finance leases and hire purchase contracts | 40,488 | 16,726 |
| Interest on invoice finance arrangements | 66,996 | 12,122 |
| Other interest on financial liabilities | 1,501 | 2,006 |
| | 122,089 | 33,997 |
| Other finance costs: | | |
| Other interest | 315,551 | 31,131 |
| Total finance costs | 437,640 | 65,128 |

10 Taxation

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Current tax | | |
| UK corporation tax on profits for the current period | 207,609 | 191,123 |
| Adjustments in respect of prior periods | (28,575) | (3,756) |
| Total current tax | 179,034 | 187,367 |
| Deferred tax | | |
| Origination and reversal of timing differences | (7,677) | (36,278) |
| Total tax charge | 171,357 | 151,089 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| (Loss)/profit before taxation | (853,788) | 339,297 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (162,220) | 64,466 |
| Tax effect of expenses that are not deductible in determining taxable profit | 320,959 | 19,835 |
| Tax effect of utilisation of tax losses not previously recognised | - | 2,227 |
| Adjustments in respect of prior years | 11,012 | - |
| Effect of change in corporation tax rate | - | 695 |
| Under/(over) provided in prior years | - | (3,756) |
| Deferred tax adjustments in respect of prior years | 1,606 | - |
| Consolidation adjustments | - | 67,622 |
| Taxation charge | 171,357 | 151,089 |

11 Dividends

| | 2019 £ | 2018 £ |
|--------------|-----------|-----------|
| Interim paid | 92,418 | 54,372 |

12 Intangible fixed assets

| Group | Goodwill £ | Development costs £ | Total £ |
|------------------------------------|---------------|------------------------|------------|
| Cost | | | |
| At 1 March 2018 | 6,707,835 | 62,888 | 6,770,723 |
| Additions - separately acquired | 8,606,354 | 18,978 | 8,625,332 |
| At 28 February 2019 | 15,314,189 | 81,866 | 15,396,055 |
| Amortisation and impairment | | | |
| At 1 March 2018 | 2,457,487 | 2,282 | 2,459,769 |
| Amortisation charged for the year | 1,358,877 | 7,616 | 1,366,493 |
| At 28 February 2019 | 3,816,364 | 9,898 | 3,826,262 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

12 Intangible fixed assets

(Continued)

Carrying amount

| | | | |
|---------------------|------------|--------|------------|
| At 28 February 2019 | 11,497,825 | 71,968 | 11,569,793 |
| At 28 February 2018 | 4,250,347 | 60,606 | 4,310,953 |

Company

Goodwill

£

Cost

| | |
|---------------------------------|------------|
| At 1 March 2018 | 3,543,855 |
| Additions - separately acquired | 11,137,936 |

| | |
|---------------------|------------|
| At 28 February 2019 | 14,681,791 |
|---------------------|------------|

Amortisation and impairment

| | |
|-----------------------------------|-----------|
| At 1 March 2018 | 2,062,479 |
| Amortisation charged for the year | 1,132,281 |

| | |
|---------------------|-----------|
| At 28 February 2019 | 3,194,760 |
|---------------------|-----------|

Carrying amount

| | |
|---------------------|------------|
| At 28 February 2019 | 11,487,031 |
| At 28 February 2018 | 1,481,376 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Tangible fixed assets

| Group | Rental equipment £ | Improvements to property £ | Plant and equipment £ | Fixtures and fittings £ | Computers £ | Motor vehicles £ | Total £ |
|------------------------------------|-----------------------|-------------------------------|--------------------------|----------------------------|----------------|---------------------|------------|
| Cost | | | | | | | |
| At 1 March 2018 | 464,026 | 447,234 | 1,473,683 | 804,795 | 402,478 | 202,865 | 3,795,081 |
| Additions | 663,417 | 102,861 | 24,200 | 201,485 | 602,759 | 24,868 | 1,619,590 |
| Disposals | - | (5,805) | (101,590) | (609,447) | (2,919) | (22,460) | (742,221) |
| At 28 February 2019 | 1,127,443 | 544,290 | 1,396,293 | 396,833 | 1,002,318 | 205,273 | 4,672,450 |
| Depreciation and impairment | | | | | | | |
| At 1 March 2018 | 163,332 | 202,477 | 621,073 | 268,642 | 196,345 | 86,857 | 1,538,726 |
| Depreciation charged in the year | 301,650 | 75,550 | 140,864 | 105,836 | 192,732 | 33,784 | 850,416 |
| Eliminated in respect of disposals | - | (2,225) | (59,617) | (237,553) | - | (22,460) | (321,855) |
| At 28 February 2019 | 464,982 | 275,802 | 702,320 | 136,925 | 389,077 | 98,181 | 2,067,287 |
| Carrying amount | | | | | | | |
| At 28 February 2019 | 662,461 | 268,488 | 693,973 | 259,908 | 613,241 | 107,092 | 2,605,163 |
| At 28 February 2018 | 297,155 | 244,755 | 852,608 | 549,205 | 209,988 | 126,665 | 2,280,376 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Tangible fixed assets

(Continued)

| Company | Rental equipment | Improvements to property | Fixtures and fittings | Computers | Motor vehicles | Total |
|------------------------------------|------------------|--------------------------|-----------------------|-----------|----------------|-----------|
| | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | |
| At 1 March 2018 | 460,487 | 409,369 | 141,618 | 228,501 | 84,566 | 1,324,541 |
| Additions | 663,417 | 102,861 | 178,084 | 576,659 | 14,210 | 1,535,231 |
| Disposals | - | - | - | - | (22,460) | (22,460) |
| At 28 February 2019 | 1,123,904 | 512,230 | 319,702 | 805,160 | 76,316 | 2,837,312 |
| Depreciation and impairment | | | | | | |
| At 1 March 2018 | 163,332 | 168,338 | 53,292 | 113,146 | 46,049 | 544,157 |
| Depreciation charged in the year | 301,650 | 75,405 | 50,937 | 160,199 | 15,964 | 604,155 |
| Eliminated in respect of disposals | - | - | - | - | (22,460) | (22,460) |
| At 28 February 2019 | 464,982 | 243,743 | 104,229 | 273,345 | 39,553 | 1,125,852 |
| Carrying amount | | | | | | |
| At 28 February 2019 | 658,922 | 268,487 | 215,473 | 531,815 | 36,763 | 1,711,460 |
| At 28 February 2018 | 297,155 | 241,031 | 88,325 | 115,354 | 38,516 | 780,381 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Tangible fixed assets (Continued)

| | | | | |
|---------------------|---------------|---------------|---------------|---------------|
| Plant and equipment | 50,009 | 16,880 | 50,009 | 16,880 |
| Motor vehicles | 14,083 | 14,778 | 14,083 | 20,583 |
| | <u>64,092</u> | <u>31,658</u> | <u>64,092</u> | <u>37,463</u> |

14 Fixed asset investments

| | | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| | Notes | | | | |
| Investments in subsidiaries | 15 | - | - | 1,198,120 | 3,423,034 |

Movements in fixed asset investments Company

| | Shares in group undertakings £ |
|--------------------------|---|
| Cost or valuation | |
| At 1 March 2018 | 3,423,034 |
| Additions | 8,913,022 |
| | (11,137,936) |
| At 28 February 2019 | <u>1,198,120</u> |
| Carrying amount | |
| At 28 February 2019 | <u>1,198,120</u> |
| At 28 February 2018 | <u>3,423,034</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

15 Subsidiaries

Details of the company's subsidiaries at 28 February 2019 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|---|-------------------|---|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Back2Business Limited | UK | Disaster recovery | Ordinary | | 100.00 |
| Citrus Digital Limited | UK | Dormant | Ordinary | 100.00 | |
| Itec Connect Northern Limited | UK | Printers & copiers | Ordinary | 65.00 | |
| Mail a Doc Limited | UK | Printing and mailing services | Ordinary | 100.00 | |
| Reflex Digital Solutions (UK) Limited | UK | Service, repair and hire of electronic office equipment | Ordinary | 100.00 | |
| Stem Networks Limited | UK | Provision of IT and network solutions | Ordinary | 100.00 | |
| Time Business Systems Limited | UK | Dormant | Ordinary | 100.00 | |
| Copyrite Business Solutions UK (Holdings) Limited | UK | Dormant | Ordinary | 100.00 | |
| Copyrite Business Solutions UK Limited | UK | Managed print & IT provider | Ordinary | | 100.00 |
| Quilver Business Services Limited | UK | Dormant | | | 100.00 |
| Osprey Business Solutions Limited | UK | Dormant | Ordinary | | 100.00 |
| A B S Digital Limited | UK | Dormant | Ordinary | | 100.00 |
| Criterion IT Ltd | UK | IT provider | Ordinary | 25.00 | 75.00 |

16 Financial instruments

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|---|--------------------|------------|----------------------|-----------|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 7,217,246 | 4,653,978 | 6,515,526 | 4,799,677 |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | 22,085,377 | 11,324,403 | 19,856,129 | 9,521,671 |

17 Stocks

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-------------------------------------|--------------------|-----------|----------------------|-----------|
| Finished goods and goods for resale | 5,657,386 | 4,178,139 | 5,557,518 | 4,014,834 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

18 Debtors

| | Group 2019 | 2018 | Company 2019 | 2018 |
|---|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 7,034,366 | 4,474,479 | 4,977,887 | 3,743,340 |
| Corporation tax recoverable | 20,199 | - | - | - |
| Amounts owed by group undertakings | - | - | 1,446,094 | 878,658 |
| Other debtors | 202,983 | 179,499 | 91,545 | 177,679 |
| Prepayments and accrued income | 1,147,744 | 941,800 | 1,134,718 | 772,215 |
| | <u>8,405,292</u> | <u>5,595,778</u> | <u>7,650,244</u> | <u>5,571,892</u> |

19 Creditors: amounts falling due within one year

| | | Group 2019 | 2018 | Company 2019 | 2018 |
|------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| | Notes | £ | £ | £ | £ |
| Bank loans and overdrafts | 21 | 1,118,606 | 38,485 | 1,100,000 | - |
| Obligations under finance leases | 22 | 220,078 | 167,366 | 29,046 | 13,967 |
| Trade creditors | | 10,412,371 | 7,438,209 | 9,440,461 | 7,087,902 |
| Amounts owed to group undertakings | | 125,937 | - | 42,500 | 42,500 |
| Corporation tax payable | | 209,388 | 516,554 | 203,446 | 426,288 |
| Other taxation and social security | | 1,149,390 | 655,184 | 1,048,294 | 587,829 |
| Other creditors | | 5,124,104 | 2,406,353 | 4,652,603 | 1,825,053 |
| Accruals and deferred income | | 1,230,566 | 884,296 | 982,762 | 539,170 |
| | | <u>19,590,440</u> | <u>12,106,447</u> | <u>17,499,112</u> | <u>10,522,709</u> |

Within other creditors is an amount due under an invoice discounting arrangement of £2,295,559 (2018: £1,755,537). This amount is secured by a fixed and floating charge over the property and undertaking of the company.

Within other creditors is £2,247,014 relating to loan notes in connection with the deferred consideration element of the purchase of Copyrite Business Solutions (Holdings) Limited. Interest is charged at 4.75% over base rate.

The bank loan is secured by a fixed and floating charge over the assets and undertakings of the company. Interest is charged at 4.75% over base rate and the total loan is repayable over 5 years.

20 Creditors: amounts falling due after more than one year

| | | Group 2019 | 2018 | Company 2019 | 2018 |
|----------------------------------|-------|------------------|----------------|------------------|---------------|
| | Notes | £ | £ | £ | £ |
| Bank loans and overdrafts | 21 | 3,575,000 | 18,606 | 3,575,000 | - |
| Obligations under finance leases | 22 | 278,715 | 371,088 | 33,757 | 13,079 |
| | | <u>3,853,715</u> | <u>389,694</u> | <u>3,608,757</u> | <u>13,079</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

21 Loans and overdrafts

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-------------------------|--------------------|-----------|----------------------|-----------|
| Bank loans | 4,693,606 | 57,091 | 4,675,000 | - |
| Payable within one year | 1,118,606 | 38,485 | 1,100,000 | - |
| Payable after one year | 3,575,000 | 18,606 | 3,575,000 | - |

The long-term loans are secured by fixed and floating charges over the assets of the company.

22 Finance lease obligations

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|---|--------------------|-----------|----------------------|-----------|
| Future minimum lease payments due under finance leases: | | | | |
| Within one year | 224,677 | 190,746 | 33,645 | 15,315 |
| In two to five years | 319,965 | 402,664 | 38,578 | 14,383 |
| | 544,642 | 593,410 | 72,223 | 29,698 |
| Less: future finance charges | (45,849) | (54,956) | (9,420) | (2,652) |
| | 498,793 | 538,454 | 62,803 | 27,046 |

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Liabilities 2019 £ | Liabilities 2018 £ |
|--------------------------------|--------------------------|--------------------------|
| Group | | |
| Accelerated capital allowances | 244,728 | 211,725 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

23 Deferred taxation

(Continued)

| | Liabilities 2019 £ | Liabilities 2018 £ |
|--------------------------------|-----------------------------|-------------------------------|
| Company | | |
| Accelerated capital allowances | 92,580 | 84,128 |
| | | |
| | Group 2019 £ | Company 2019 £ |
| Movements in the year: | | |
| Liability at 1 March 2018 | 211,725 | 84,128 |
| Charge to profit or loss | 33,003 | 8,452 |
| | | |
| Liability at 28 February 2019 | 244,728 | 92,580 |

24 Retirement benefit schemes

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 387,891 | 137,260 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share capital

| | Group and company | |
|-------------------------------------|--------------------------|-----------|
| | 2019 £ | 2018 £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 1,992 A Ordinary Shares of 10p each | 199 | 183 |
| 64 B Ordinary Shares of 10p each | 6 | 5 |
| | | |
| | 205 | 188 |

During the year the company issued 160 new A ordinary shares with a nominal value of 10p each, the company also issued 10 new B ordinary shares with a nominal value of 10p each.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2019

25 Share capital

(Continued)

Reconciliation of movements during the year:

| | A Ordinary Number | B Ordinary Number |
|----------------------------|----------------------|----------------------|
| At 1 March 2018 | 183 | 5 |
| Issue of fully paid shares | 16 | 1 |
| At 28 February 2019 | 199 | 6 |

26 Operating lease commitments

Lessee

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

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|----------------------------|--------------------|-----------|----------------------|-----------|
| Within one year | 643,487 | 600,327 | 564,707 | 420,651 |
| Between two and five years | 1,019,022 | 1,366,665 | 827,637 | 770,987 |
| In over five years | 37,592 | 214,273 | 31,502 | 95,163 |
| | 1,700,101 | 2,181,265 | 1,423,846 | 1,286,801 |

27 Controlling party

The ultimate controlling party is Itec Investment Connect Limited by virtue of its majority shareholding in the company.