cerillion

Annual Report and Accounts 2018

Cerillion plc

Company Information

Company registration number:	09472870
Registered office:	25 Bedford Street London WC2E 9ES
Directors:	O C R Gilchrist L T Hall G J O'Connor A M Howarth M Dee
Secretary:	O C R Gilchrist
Bankers:	HSBC Jersey HSBC House St Helier Jersey JE1 1HS
Solicitors:	Orrick, Herrington & Sutcliffe (Europe) LLP 107 Cheapside London EC2V 6DN
Nominated Adviser:	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker:	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Auditor:	Grant Thornton UK LLP Registered Auditor Chartered Accountants 30 Finsbury Square London EC2A 1AG

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Overview

About Cerillion

Cerillion has a 19-year track record in providing mission-critical software for billing, charging and customer relationship management ("CRM"), mainly to the telecommunications sector but also to other markets, including utilities and financial services. The Company has approximately 90 customer installations across 44 countries.

Headquartered in London, Cerillion has operations in Pune, India, where its Global Solutions Centre is located, Sydney and Miami.

The business was originally part of Logica plc before its management buyout, led by CEO, Louis Hall, in 1999. The Company joined AIM in March 2016.

Cerillion plc

The table below summarises the Company's trading performance during the financial year to 30 September 2018, with comparatives provided for the prior year.

		2018 £'000	2017 £'000
Revenue		**17,353**	16,033
Key revenue streams[1]:			
Services		**9,198**	7,284
Software & Software-as-a-Service		6,487	7,901
Recurring revenue		5,024	4,448
New orders		13,045	13,496
Back order book		12,954	13,147
Operating profit		**1,891**	2,108
Add back:	- Depreciation and amortisation	**1,744**	1,508
	- Share based payment charge	135	-
	- Exceptional items	**162**	-
Adjusted EBITDA[2]		**3,932**	3,616
Profit before tax		**1,800**	1,995
Add back:	- Amortisation of acquired intangibles*	**993**	993
	- Share based payment charge	135	-
	- Exceptional items	**162**	-
Adjusted profit before tax[3]		**3,090**	2,988
Employee numbers:	- Onshore	**91**	84
	- India	**98**	87
Total		**189**	171

* The Board includes the add back of amortisation of acquired intangibles (intangibles arising from fair value adjustments) to the non-GAAP measure of adjusted profit before tax, in order to reflect one of the key performance measures monitored by the Board and the Group's analysts.

Highlights

Cerillion plc, the billing, charging and customer relationship management software solutions provider, presents its annual results for the 12 months ended 30 September 2018.

Financial:

- Revenue[4] up by 8.2% to £17.4m (2017: £16.0m)
- Recurring revenue[5] up by 13.0% to £5.0m (2017: £4.4m)
  - c. 29% of total revenues (2017: 28%)
- Back order book[6] at £13.0m at 30 September 2018 (2017: £13.1m)
- Adjusted EBITDA up by 8.7% to £3.9m (2017: £3.6m)
  - adjusted EBITDA margin up to 22.7% (2017: 22.6%)
- Adjusted profit before tax up by 3.4% to £3.1m (2017: £3.0m)
- Adjusted earnings per share up by 6.8% to 10.9p (2017: 10.2p)
- Proposed final dividend of 3.0p per share, bringing the total dividend for the year to 4.5p per share (2017: 4.2p), an increase of 7.1%

Operational:

- Three large, new, enterprise implementations underway – due for completion in 2019
- Initial work for a fourth, new, enterprise implementation commenced in Q4
- A number of new customers were signed for Skyline, Cerillion's cloud billing solution, across a number of industry verticals
- New mobile app and self-service modules launched
- Cerillion remains well-positioned for continuing growth, with an encouraging pipeline of near-term opportunities

Louis Hall, CEO of Cerillion, commented:

"Cerillion has continued to make good progress, with revenues and profits for the year growing in line with market expectations.

"Three large enterprise customer implementations for our core product remain underway, with completion scheduled in 2019. We also started pilot work for a potential fourth, new enterprise customer in the final quarter of the financial year, and there are two further potential large orders, which are likely to be decided over the coming months.

"With a strong new customer pipeline, the ability to continue to rollout new and enhanced product modules, and continuing recognition by industry analysts, we believe the Company is well placed for continuing positive progress."

Notes

Note 1 Full analysis of the revenue streams for Cerillion plc can be found in the segmental reporting disclosure note 2.

Note 2 Adjusted earnings before interest depreciation and amortisation ("EBITDA") is calculated by taking operating profit and adding back depreciation & amortisation, share based payment charge and exceptional items.

Note 3 Adjusted profit before tax is calculated after adding back amortisation of acquired intangible assets, share based payment charge and exceptional items.

Note 4 Revenue derived from software licence, support and maintenance, Software-as-a-Service ("SaaS") and third party sales.

Note 5 Recurring revenue includes annualised support and maintenance, managed service and Skyline revenue.

Note 6 Back order book consists of £8.9m of sales contracted but not yet recognised at the end of the reporting period plus £4.1m of annualised support and maintenance revenue. It is anticipated that 75% of the £8.9m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12 to 18 months.

Note 7 Adjusted earnings per share is calculated by taking profit after tax and adding back amortisation of acquired intangible assets, share based payment charge and exceptional items and is divided by the weighted average number of shares in issue during the period.

Chairman and Chief Executive Officer's Report

Introduction

We are pleased to report the Group's results for its third year as a publicly quoted company, following its admission to AIM.

The business has a 19-year track record of providing mission-critical software for billing, charging and customer relationship management ("CRM"), predominantly to the telecommunications market, but also to the utilities and financial services sectors. We are continuing to grow steadily in our core market, where demand for CRM, billing and charging solutions is rising. This reflects a number of factors, including:

- technological change (e.g. the introduction of 5G mobile networks);
- regulatory change (e.g. the new GDPR data security regulation in Europe);
- consolidation of multiple CRM, billing and charging systems onto a single platform;
- demand for real-time charging systems to enable more effective monetisation of data services;
- demand for more agile systems to enable the more rapid introduction of new products.

We are also expanding into new market sectors, primarily through Cerillion Skyline, which facilitates the billing and the collection of payments from any type of subscription or usage-based service, and is delivered via the cloud.

Results for the year are in line with market expectations, with revenue up year-on-year by 8.2%* to £17.4m (2017: £16.0m), adjusted EBITDA up by 8.7%* to £3.9m (2017: £3.6m) and adjusted earnings per share up by 6.8% to 10.9p (2017: 10.2p). Our financial performance continued to be supported by strong demand from our established customer base, as well as implementations for new customers.

Financial overview

Total revenue for the year to 30 September 2018 rose by 8.2% (2017: 8.3%) to £17.4m (2017: £16.0m). Existing customers (classified as those acquired at least 12 months before the beginning of the reporting period) typically drive a very high proportion of total annual income and they generated 75% of the overall revenue for the financial year (2017: 81%, which was exceptionally high).

Recurring income, which is derived from support and maintenance and managed service contracts, accounts for a significant proportion of overall revenues. It made up 29% of the Group's total income for the year (2017: 28%), having risen by 13% to £5.0m (2017: £4.4m, up 10%).

The Group's revenue streams are broadly divided into three segments: software revenue (including Software-as-a-Service), which principally comprises software licences and related support and maintenance sales; services revenue, which is generated by software implementations and ongoing account development work; and revenues from other activities, mainly the reselling of third party products.

- Software and Software-as-a-Service revenue decreased to £6.5m (2017: £7.9m), mainly reflecting significant licence extensions with existing customers in the 2017 results. Software revenues accounted for 37% of total revenues (2017: 49%).
- Services revenue increased by 26%* to £9.2m (2017: £7.3m) and constituted 53% of total revenue (2017: 45%). The increase was due to the concurrence of three major new customer implementation projects during the year, as well as strong demand for services work from existing customers.
- Third party income increased to £1.7m (2017: £0.8m) and comprised 10% of total revenue (2017: 5%).

Administrative expenses increased by 5.7%* to £10.7m (2017: £10.1m), and included one-off costs from the relocation of the London office, where £0.4m of fit-out costs were included within total expenditure on tangible fixed assets of £0.7m, and a further £162,000 from over-lapping rental periods. Personnel costs of £4.8m (2017: £4.7m) accounted for close to 45% of administrative expenses.

* Comparative movement from 2016 to 2017 has not been provided as it is not comparable given that the Group only existed from 18 March 2016.

The Board consider adjusted EBITDA to be a key performance indicator for Cerillion as it adds back exceptional items and key non-cash balances, being share based payments, depreciation and amortisation. Adjusted EBITDA for the year increased by 8.7%* to £3.9m (2017: £3.6m), mainly driven by the increase in total revenue.

We continue to invest in our product sets, including our cloud billing platform, Cerillion Skyline, and the charge for amortisation of intangibles was £1.4m (2017: £1.3m). Expenditure on tangible fixed assets was £0.7m (2017: £0.2m). Operating profit was £1.9m (2017: £2.1m).

Adjusted profit before tax rose by 3.4%* to £3.1m (2017: £3.0m) and adjusted earnings per share increased by 6.8% to 10.9p (2017: 10.2p). On a statutory basis, profit before tax was £1.8m (2017: £2.0m), with the one-off costs of property and the first year of share option charges accounting for the £0.3m reduction, year-on-year, and earnings per share was 6.9p (2017: 6.9p).

Cash flow and banking

Net cash increased by 50% against the same point last year to stand at £2.5m as at 30 September 2018 (2017: £1.6m). This net position is after the payment of £900,000 of debt (2017: £879,000) and after the payment of dividends during the reporting period of £1,269,080 (2017: £1,180,539). Total Group cash at the year end was at £5.3m (2017: £5.3m) and total debt stood at £2.8m (2017: £3.7m).

Dividend

The Board is pleased to propose an increased final dividend of 3.0p per share (2017: 2.8p). Together with the interim dividend of 1.5p per share (2017: 1.4p), this brings the total dividend for the year to 4.5p per share (2017: 4.2p), an increase of 7.1%.

The dividend, which is subject to shareholder approval at the Company's Annual General Meeting to be held on 8 February 2019, will become payable on 12 February 2019 to those shareholders on the Company's register as at the close of business on the record date of 4 January 2019. The ex-dividend date is 3 January 2019.

Operational overview

We have continued to work on three major new enterprise customer implementations for the Group's core product, our pre-integrated Enterprise BSS/OSS suite, which includes our real-time, Convergent Charging System ("CCS"). The addition of these further, substantial, new enterprise customers will strengthen recurring managed service, support and maintenance revenues, as well as ad-hoc services revenues. All three of these new implementations are in Europe.

In the final quarter of the financial year, we also began some pilot work for a potential new enterprise customer implementation. A key factor in securing this work was the Group's ability to provide an end-to-end, modular CRM and billing solution, which could be readily demonstrated, and which included a sophisticated, carrier-grade, "real-time" charging module.

At the financial year end, new orders stood at £13.0m (2017: £13.5m), most of which are in progress. The small decrease compared with 2017 is due to the timing of signature of major new contracts with new customers, with two potential, large new customer implementation orders likely to be decided over the coming months.

At the year end, the combined value of annualised support revenue and the back order book – which consists of unperformed, contracted work under purchase orders and contracted work that is still subject to the receipt of purchase order – was steady at £13.0m (2017: £13.1m).

Our charging module (CCS) remains an important component of our solutions set, enabling communications service providers ("CSPs") to converge prepaid and postpaid charging and billing on the same software platform. This drives significant cost savings as well as performance-related benefits, including the ability to support multiple service types. We provide CCS in many ways – as a standalone charging engine, as a replacement for legacy prepaid systems, or as an integral part of Cerillion's core end-to-end billing and CRM solution.

Chairman and Chief Executive Officer's Report

Continued

We also won a number of new customers for Cerillion Skyline, our Software-as-a-Service billing solution that enables businesses to bill and collect recurring revenue from subscription and usage-based services. Its cloud (SaaS) delivery model provides many advantages for our customers, including faster and lower cost implementation, easier integration, continuous product updates, and greater flexibility in launching new services. New customers signed up this year include a market-leading medical products supplier, a supplier of services to the global cinema industry and a market-leading messaging service. Revenues from Skyline make up a relatively modest proportion of the Group's overall total currently, especially given the SaaS model, but we expect them to continue to grow, with take-up across a broad number of industry verticals.

We continue to invest in R&D to further improve both our enterprise platform and Cerillion Skyline. During the year, we commenced projects to deliver the new Enterprise Product Catalogue, which we brought to market last financial year, to new and existing customers. We also launched a new mobile app and self-service modules, which have been well-received by customers.

Outlook

Prospects for continuing growth remain positive. We have a strong new customer pipeline, including two potential large near-term orders, where we anticipate a decision being made over the coming months, and our pilot work for another new enterprise customer is also very encouraging.

Overall, we therefore believe that Cerillion is well-positioned for 2019.

A M Howarth
Non-executive Chairman
23 November 2018

L T Hall
Chief Executive Officer
23 November 2018

Strategic Report

The Directors present their Strategic Report for the year ended 30 September 2018.

Financial overview

The Group's results for the year comprise the results for the Company and the Cerillion Technologies Limited Group. Revenue for the year totalled £17,352,597 (2017: £16,032,976) and the gross profit was £12,577,012 (2017: £12,218,488). Profit after tax was £1,931,074 (2017: £2,022,679).

Business review

The review of the year-on-year trade relating to the Group is covered within the Chairman and Chief Executive Officer's Report, along with a review of the cash flows.

Future outlook of the business

This section of the Strategic Report is covered within the Chairman and Chief Executive Officer's Report.

Summary of key performance indicators

The Directors have monitored the performance of the Group with particular reference to the following key performance indicators. The key performance indicators are monitored against budget and reviewed by the Board:

		2018 £'000	2017 £'000
Revenue		**17,353**	16,033
Key revenue streams*:			
Services		9,198	7,284
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Strategic Report
Continued

Principal risks and uncertainties

Effectively managing risks is an integral part of Cerillion's business. The Group has identified its main risks and is taking appropriate action to manage and mitigate these risks. The Group's multinational operations expose it to financial risks that include market risk, credit risk, operational risk and liquidity risk. The Directors have split the risks into those relating to the Group and its business operations and those relating to the industry and markets where the Group operates. The Directors review and agree policies for managing each of these risks. These policies are detailed in note 18 to the accounts.

The key risk factors affecting the Group's performance are expected to include the following:

The success of the Group's business is partly dependent on key personnel.

The Group's future growth and success depends, in part, upon the leadership and performance of its management team, many of whom have significant experience in the technology sector and would be difficult to replace. In particular, the Group is highly dependent on the continued services of the Directors, the senior management team and other key employees, including technical personnel. Competition for employees with the particular skill sets the Group requires is intense. The loss of executive officers, any members of the senior management team or other key employees, the inability to recruit sufficiently qualified personnel, or the inability to replace departing employees in a timely manner could have a material adverse effect on the Group's business, financial condition and results of operations.

Mitigation:

The Group has initiated two share based payment schemes to further incentivise and retain key personnel.

Fluctuations or devaluations in foreign currencies could adversely affect the Group's financial condition.

The Group services customers in 44 countries and, in the year ended 30 September 2018, 87% (2017: 88%) of the Group's revenues were generated outside of the UK, some of which were transacted in foreign currencies. To the extent that the Group's business transactions are not denominated in the same currency, the Group is exposed to foreign currency exchange rate risk. The Group continually reviews contract denominations and exchange rates and enters into hedging currency contracts, where deemed appropriate. Movements in foreign exchange rates on transactions outside of those hedged items could have an adverse effect on the Group's business, financial condition and results of operations.

Mitigation:

The Group continually reviews contract denominations and exchange rates and enters into hedging currency contracts, where deemed appropriate. The Group moves balances between international currency accounts to mitigate the currency risk exposure and to provide economic hedges between cash receipts and payments in foreign currencies. Advice is sought regularly from the Group's bankers with regard to foreign exchange strategy.

Changes in demands in the telecoms industry market are expected to impact the Group's customers.

The Group generates a large proportion of its revenues from the telecoms industry. Prices for many telecoms products have declined consistently in recent years, through a combination of regulatory intervention and market competition and these declining price trends are expected to continue. It is possible that the pricing environment could become more difficult than currently anticipated by the Group's customers. Consequently, the Group's customers may become less financially viable.

* Full analysis of the revenue streams for Cerillion plc can be found in the segmental reporting disclosure note 2.

** Adjusted earnings before interest depreciation and amortisation ("EBITDA") is calculated by taking operating profit and adding back depreciation & amortisation, share based payment charge and exceptional items.

*** Adjusted profit before tax is calculated after adding back amortisation of acquired intangible assets, share based payment charge and exceptional items. The Board include the add back of amortisation of acquired intangibles (intangibles arising from fair value adjustments) to the non-GAAP measure of adjusted profit before tax, to reflect one of the key performance measures monitored by the Board and the Group's analysts.

Any downturn in the global economy may affect the growth of the telecoms industry or result in reductions in telecoms expenditure. If economic conditions were to deteriorate, or do not materially improve, the Group's existing and potential customers may reduce their expenditure with the Group as a result of their end customers' reduction in demand for telecoms services. Any reduction in customer expenditure could have an adverse effect on the Group's business, financial condition and results of operations.

Furthermore, call volume reductions in the fixed line and mobile telephony sector have resulted from consumers being able to communicate more readily by means of the Internet. The Group has traditionally been dependent on the fixed line, mobile telecommunications, broadband and TV industries and on fixed line/mobile, broadband and TV volumes and revenues, which may fall generally in the future.

Additionally, it is expected that there will be a trend for the Group's customers to move towards managed service agreements. The Group will need to invest in further resources including staff and servers to service this demand. There is no guarantee that the Group will have the resources to respond to this demand at the time necessary.

The Group's potential inability to adapt to changing customer demands could have an adverse effect on the Group's business, financial condition and results of operations.

Mitigation:
The Group maintains good relationships with its customers to ensure that its products and services meet their needs, as evidenced by the Company's classification within the Gartner Report.

The telecommunications industry is characterised by rapid technological change and continually evolving industry standards, which could harm the Group's competitive position, render its products obsolete and cause it to incur substantial costs to replace its products or implement new technologies.

The telecommunications industry is characterised by rapid technological change and frequent new service introductions. Significant technological changes could render the Group's technology and services obsolete. If the Group does not adapt to rapid technological change, it could lose customers or market share. The Group's success depends in part on its ability to adapt to the rapidly changing market by continually improving the features, functionality, reliability and responsiveness of the Group's existing services and by successfully developing, introducing and marketing new features, services and applications to meet changing customer needs. There can be no assurance that any of the Group's technological developments will be successful. The Group may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, in order to develop technologies.

Additionally, the Group may require additional third party licences to supplement new technology in order to remain competitive, and it may not be able to acquire such licences on reasonable terms or at all. The Group cannot assure any investor that it will be able to adapt to these challenges or respond successfully or in a cost effective way to adequately meet them. The Group's failure to do so could adversely affect its ability to compete, retain customers or maintain its financial performance.

Mitigation:
The Group continues to invest heavily in research and development in order to keep pace with the changing market.

The Group is reliant on a relatively small number of customers and the loss or deterioration of business from any one of the top five customers could materially affect the Group's financial condition.

The Group is reliant on a relatively small number of customers and expects this reliance to increase in the short to medium term.

Strategic Report
Continued

Revenue/customer concentration

Customers by size:	2018	2017	2016
Number 1	**21.3%**	22.7%	28.8%
Top 5	**59.2%**	59.3%	60.5%
Top 10	**79.6%**	83.6%	81.7%
Top 20	**94.9%**	95.2%	96.0%

Any deterioration of the Group's relationship with any one of its top five customers could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

Any one of the Group's customers may experience financial difficulties and may cease to trade, may decide not to renew their support contracts or may be unable to continue to conduct business with the Group, which could materially affect the Group's business, financial condition and results of operations.

A large proportion of the Group's cash receipts are driven by project milestones (plus payment terms), resulting in volatility over any given year. Revenue is recognised alongside percentage completion to successful implementation (services and licence) or term (support), resulting in comparably low volatility across any one year. Relatively large levels of accrued income have built up in the past, whereby the Group has incurred considerable effort and expense in relation to certain projects that it is yet to receive payment for. In addition, certain customers have historically been offered longer payment terms, based on instalments over a number of years. As a result, a number of the Group's customers have in the past and are likely in the future to be in a position where they will in effect be significant debtors.

Mitigation:
The Group monitors the credit risk associated with having a small number of customers and continually monitors working capital exposures, setting credit limits, restricting access to services and appointing legal representation when deemed necessary.

Shareholder information

The Group's website at www.cerillion.com contains a wide range of information about its activities and visitors can download copies of the Report and Accounts in addition to newsletters and other articles of interest.

This Report is approved by the Board on 23 November 2018 and signed on its behalf by

L T Hall
Chief Executive Officer

Corporate Governance Report

The Company's Ordinary Shares trade on AIM and the Company has adopted the Quoted Companies Alliance Corporate Governance Code For Small and Mid-Size Quoted Companies (the "QCA Code"). The Directors recognise that it is in the best interests of the Company and its Shareholders to follow the QCA Code's principles of Corporate Governance and to have in place risk controls appropriate for a company of its size along with the NAPF Corporate Governance Policy and Voting Guidelines for AIM Companies.

Audit Committee

The Audit Committee comprises Alan Howarth and Mike Dee, both independent non-executive directors and will be chaired by Mike Dee. In compliance with the QCA Code, Mike Dee has relevant financial experience. The Audit Committee will normally meet not less than twice a year and has responsibility for, amongst other things, the planning and review of the Group's annual report and accounts and half yearly reports and the involvement of the Group's auditors in that process. The committee will focus in particular on compliance with legal requirements, accounting standards and on ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the role of the secretary and the requirements of notice of and quorum for the right to attend meetings. The duties of the Audit Committee covered in the terms of reference are: financial reporting, internal controls and risk management systems, whistleblowing internal audit, external audit and reporting responsibilities. The terms of reference also set out the authority of the committee to exercise its duties.

Nominations Committee

The Nominations Committee comprises Alan Howarth and Mike Dee, both of whom are independent non-executive directors, and will be chaired by Alan Howarth. The Nominations Committee will meet when appropriate and will consider the composition of the Board, retirements and appointments of additional and replacement directors and make appropriate recommendations to the Board.

Remuneration Committee

The Remuneration Committee comprises Alan Howarth and Mike Dee, both of whom are independent non-executive directors, and will be chaired by Alan Howarth. The Remuneration Committee will normally meet not less than twice a year and has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including senior management), including annual bonuses, the eligibility requirements for benefits under long term incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the executive Directors, including pension rights, contracts of employment and any compensation payments.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the role of secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting levels of remuneration, contracts of employment, early termination, performance related pay, pension arrangements, authorising claims for expenses from the executive Directors, reporting and disclosure, and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to exercise its duties.

Cerillion plc has a culture based on ethical values and behaviours, which are promoted by the CEO and management team. The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. The Company adopts a policy of equal opportunities and diversity in the recruitment and engagement of staff, as well as during the course of their employment. It endeavours to promote the best use of its human resources on the basis of individual skills and experience, matched against those required for the work to be performed. The Company recognises the importance of investing in its employees and, as such, it provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. The Company also recognises that commercial success depends on the full commitment of all its employees, and commits to respecting their human rights, to providing them with favourable working conditions that are free from unnecessary risk, and to maintaining fair and competitive terms and conditions of service at all times. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

Board of Directors

The Group is run by its Board of Directors, which currently has five members, including two non-executive directors, and meets 11 times per year. The Non-executive Directors make a valuable contribution by bringing a breadth of business and relevant professional experience to the Board and commit half a working day per month to their roles.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. It is responsible for the overall Group strategy, acquisition and divestment policy, corporate policies, approval of major capital expenditure and consideration of significant capital matters.

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. The Company intends to carry out a formal board performance evaluation every three years from 1 January 2020.

The Directors are encouraged to attend training and continuing professional development courses as required. Updates are given to the Board on developments in governance and regulations regularly. Oliver Gilchrist is the Company Secretary and supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles. When new Directors join the Board they will receive an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing, AIM Rules and governance documents.

Alan Miles Howarth, Non-executive Chairman (aged 73 years)

Alan Howarth has extensive senior executive experience in a range of national and international organisations in both the public and private sector. At Ernst & Young he was one of the founding partners of the UK Management Consulting practice. For the last 17 years, he has managed a portfolio of non-executive appointments, as chairman of both public and private companies primarily in the UK and US Technology and Health sectors. He is Chairman of Essentia Trading Limited as well as a Non-executive Director of Premier Technical Services Group plc.

Louis Tancred Hall, Chief Executive Officer (aged 54 years)

Louis Hall is the CEO and founder of Cerillion, having led the management buyout of the original business from Logica in 1999. Louis has worked in the enterprise software industry for over 25 years and prior to forming Cerillion held a number of product, sales and management positions at Logica.

Oliver Campbell Radnor Gilchrist, Chief Financial Officer (aged 54 years)

Oliver Gilchrist joined Cerillion in 2001 as CFO. He has over 30 years' experience in finance, training as a chartered accountant at Coopers & Lybrand (now part of PWC). He left Coopers & Lybrand for industry in 1995, joining Parallax plc as CFO, prior to its sale to Keane Inc. in 1999 for $25m. Following this he acted as interim CFO to Apama Inc., managing a second round interim fundraise of $10 million in 2001. The company was subsequently sold to the Carlyle Group.

Guy Jason O'Connor, Business Development Director (aged 55 years)

Guy O'Connor is a co-founder of Cerillion and has led business development at Cerillion since the management buyout. Prior to joining Cerillion, Guy was Group Director for Matheson Investment International, a subsidiary of Jardine Matheson Group.

Mike Dee, Non-executive Director (aged 63 years)

Mike Dee is a qualified accountant (CIMA). Until July 2015, he was CEO of Manx Telecom plc and led its successful AIM IPO in February 2014. Before becoming CEO of Manx Telecom plc in April 2011, he was its Director of Finance and had been part of the British Telecom plc team which set up Manx Telecom plc in 1987. Prior to his 29 years at Manx Telecom plc, Mike spent four years at British Telecom plc. Before that, Mike held accounting and company secretary positions with the Dowty Group, Iloman Engineering and Castle Industries.

Attendance at the relevant committees was as follows:

Committee Attendance	Board	Audit	Nominations	Remuneration
Alan Howarth	11/11	1/2	-	1/1
Mike Dee	11/11	2/2	-	1/1
Louis Hall	11/11	-	-	-
Oliver Gilchrist	11/11	-	-	-
Guy O'Connor	11/11	-	-	-

Report of the Remuneration Committee

Companies quoted on AIM are not required to provide a formal remuneration report. Therefore this report is provided for information purposes to give greater transparency to the way Directors and key management are remunerated.

Composition and role of the Remuneration Committee

The Board has established a Remuneration Committee, which currently consists of Alan Howarth, Non-executive Director, who chairs the committee and Mike Dee, Non-executive Director. The committee determines the specific remuneration packages for each of the Executive Directors and key management. No Director is involved in any decisions as to his own remuneration.

Framework and policy on Executive Directors' remuneration

The Group's remuneration policy is designed to provide competitive rewards for its Executive Directors and key management, taking into account the performance of the Group and individual Executives, together with comparisons of pay conditions throughout the markets in which the Group operates. It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package. It is common practice in the industry for total remuneration to be influenced by bonuses and long-term incentives.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore remuneration packages for Executive Directors normally include basic salary, discretionary bonuses, long-term incentive awards and benefits in kind. In agreeing the level of basic salaries and annual bonuses, the committee takes into consideration the total remuneration that Executive Directors could receive.

Basic salary

Basic salaries are reviewed on an annual basis. The committee seeks to establish a basic salary for each position, determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market.

Incentive arrangements

Annual discretionary bonuses

These are designed to reflect the Group's performance taking into account the performance of its peers, the markets in which the Group operates and the Executive Directors' contribution to that performance.

Long-term incentive awards

The Group introduced a Save as You Earn (SAYE) share option scheme and a Long-Term Incentive Plan (LTIP) in 2017. All UK staff members were eligible to take part in the SAYE scheme whilst the LTIP was restricted to the senior management team.

The LTIP was established to further incentivise the Senior Managers, who currently have limited equity in the Group, in the creation of long-term value for shareholders. The options are exercisable at the nominal value of the ordinary shares and have today been granted over an aggregate of 300,000 ordinary shares, representing approximately 1% of the current issued share capital of the Company. The LTIP provides for these options to vest, in full, three years from the date of the grant, subject to the achievement of targets for compound annual growth in the share price of the Company over this vesting period. The targets are as follows:

Below 8% compound annual growth:	nil vesting
8% compound annual growth:	25% vesting
15% compound annual growth:	100% vesting
Between 8% and 15% compound annual growth:	straight line vesting between 25% and 100%

The LTIP also contains standard provisions dealing with certain matters such as cessation of employment and change of control. No Directors of the Company are participants in the LTIP.

Under the SAYE scheme, employees could elect to contribute a monthly amount to be saved over three years to enable the exercise of options over Ordinary Shares of 0.5 pence each in the Company. The options will be available for exercise from 1 March 2020, with an exercise price of £1.132, which was a 20% discount to the closing price on 5 January 2017, the last trading date before the launch of the Plan on 6 January 2017.

In total up to 189,845 options over Ordinary Shares were awarded under the Plan, which would represent approximately 0.64 per cent. of the current issued share capital of the Company.

There is a charge recognised in the current year financial statements of £135,400 in total in respect of both the LTIP and SAYE scheme; no charge was recognised in the prior year as the total charge was not material. See note 21.

Other benefits

Depending on the terms of their contracts, Executive Directors are entitled to contributions to pension plans, private medical insurance, permanent health insurance and life assurance.

Service contracts and notice periods

All Executive Directors have employment contracts which are subject to between three and twelve months' notice from either the Executive or the Group, given at any time.

All Non-executive Directors have a remuneration agreement for an initial period of twelve months and thereafter on a rolling basis subject to three months' notice by either the Non-executive Director or the Group, given at any time. In the event of termination of their appointment they are not entitled to any compensation.

Non-executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed, and comparative fees paid in the market in which the Group operates. They are not eligible for pensions. They may be invited to participate in the Group's share option scheme.

Report of the Remuneration Committee
Continued

Directors' emoluments

The remuneration of each Director during the years ended 30 September 2018 and 30 September 2017 are detailed in the tables below:

	Salary £	Benefits £	Bonus* £	Pension contribution £	**Total 2018 £**
Executive					
L T Hall	285,837	5,050	142,918	34,300	**468,105**
O C R Gilchrist	169,199	5,750	45,532	20,304	**240,785**
G J O'Connor	137,680	7,096	-	15,447	**160,223**
Non-executive					
A M Howarth	25,000	-	-	-	**25,000**
M Dee	25,000	-	-	-	**25,000**
Total	**642,716**	**17,896**	**188,450**	**70,051**	**919,113**

	Salary £	Benefits £	Bonus* £	Pension contribution £	**Total 2017 £**
Executive					
L T Hall	278,865	4,657	152,256	33,464	**469,242**
O C R Gilchrist	165,072	5,306	35,966	19,809	**226,153**
G J O'Connor	244,678	3,687	-	25,581	**273,946**
Non-executive					
A M Howarth	25,000	-	-	-	**25,000**
M Dee	25,000	-	-	-	**25,000**
Total	**738,615**	**13,650**	**188,222**	**78,854**	**1,019,341**

* The bonus determination is made at the year-end, but relates to performance for the full year, so the above figures are a reward for the previous financial year.

A M Howarth
Chairman of the Remuneration Committee
23 November 2018

Report of the Audit Committee

Membership and meetings of the Audit Committee

The Audit Committee is a committee of the Board and is composed entirely of Non-executive Directors, whom the Board considers to be independent. The Audit Committee invites the Executive Directors and other senior managers to attend its meetings as appropriate.

During the year the Audit Committee was chaired by Mike Dee. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Audit Committee invites others, including the external auditor, to attend its meetings as appropriate.

Role, responsibilities and terms of reference

The Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting and internal control.

The Audit Committee's responsibilities include:

- reviewing the integrity of the annual and interim financial statements of the Group, ensuring they comply with legal requirements, accounting standards, the AIM Rules and any other formal announcements relating to the Group's financial performance;
- reviewing the Group's internal financial control and risk management systems;
- monitoring and reviewing the requirement for an internal audit function; and
- overseeing the relationship with the external auditor, including approval of its remuneration, reviewing the scope of the audit engagement, assessing its independence, monitoring the provision of non-audit services and considering its reports on the Group's financial statements.

Independence of external auditor

The Audit Committee keeps under review the relationship with the external auditor including:

- the independence and objectivity of the external auditor, taking into account the relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
- recommending to the Board and shareholders the re-appointment or otherwise of the external auditor for the following financial period; and
- the consideration of audit fees and any fees for non-audit services.

The Audit Committee develops and recommends to the Board the Company's policy in relation to the provision of non-audit services by the auditor and ensures that the provision of such services does not impair the external auditor's independence.

M Dee
Chairman of the Audit Committee
23 November 2018

Directors' Report

The Directors present their Report, the Strategic Report and the Audited Financial Statements of the Group for the year ended 30 September 2018.

Directors

The present membership of the Board is set out below. All Directors served throughout the year unless indicated:

L T Hall
G J O'Connor
O C R Gilchrist
A M Howarth
M Dee

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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 prepared the Group and the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and 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;
- state whether applicable IFRSs for Group and Company have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors have assessed the current financial position of the Group, along with future cash flow requirements for a period in excess of 12 months from the date of signing the financial statements, to determine if the Group has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Group be considered a going concern, based on forecast profitability and positive cash inflows. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Information relating to the Group's financial risk management is detailed in note 18 to the financial statements.

Research and development activities

Research and development expenditure incurred on the Group's suite of products has been capitalised in line with the Group's accounting policy in the relevant period. Research and development comprises analysis, design, programming and testing of software solutions. The Group will continue to invest in solutions to address new customer requirements as they arise and to take advantage of technological advances in the underlying software platforms. Amounts not capitalised have been expensed to the consolidated statement of comprehensive income.

The Group has incurred £68,132 (2017: £303,849) through the consolidated statement of comprehensive income during the year and has capitalised software development costs of £932,535 (2017: £850,000).

Strategic Report

Information in respect of the Business Review, Future Outlook of the Business and Principal Risks and Uncertainties are not shown in the Report of the Directors because they are presented in the Strategic Report in accordance with s414c(ii) of the Companies Act 2006.

Subsequent events

There are no subsequent events requiring adjustment or disclosure within the financial statements.

Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution proposing the reappointment of Grant Thornton UK LLP will be put to the members at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

L T Hall
Director
23 November 2018

Independent Auditor's Report to the members of Cerillion plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Cerillion plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30th September 2018 which comprise the Principal Accounting Policies, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity and notes to the financial statements. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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 as applied to listed entities, 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:

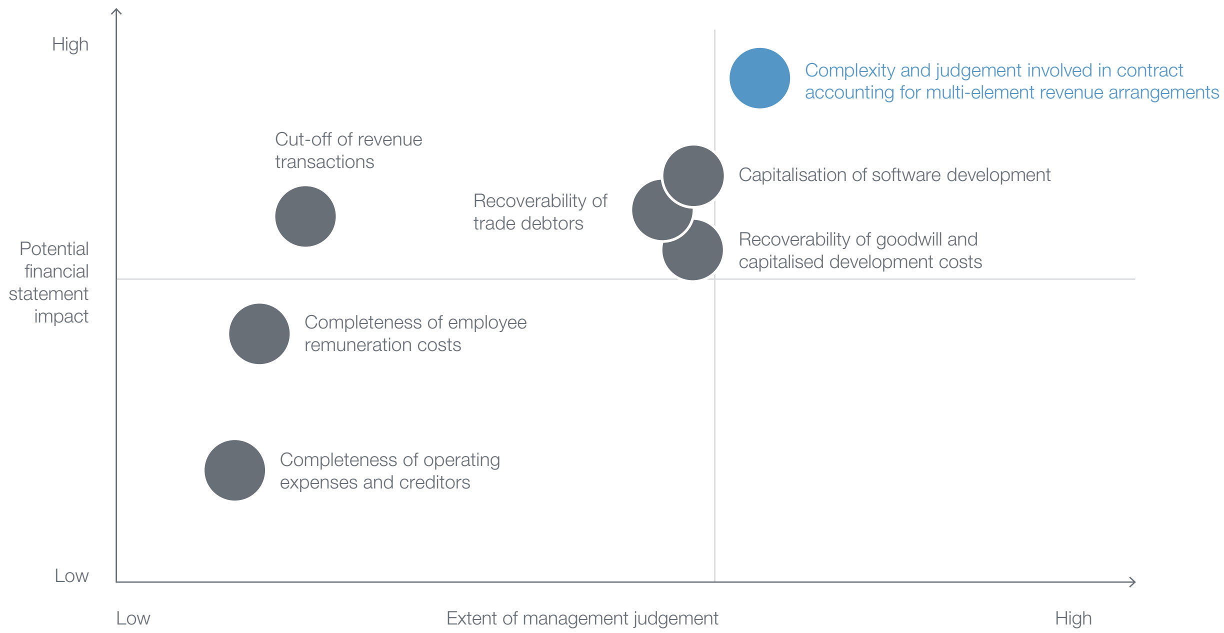
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's 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.

Overview of our audit approach

- Overall materiality: £175,000; which represents 1% of the Group's revenue;
- The key audit matter identified was the complexity and judgement involved in accounting for multi-element revenue arrangements;
- We performed comprehensive procedures for Cerillion Technologies Limited and Cerillion plc targeted procedures for the Group's subsidiary, Cerillion Technologies (India) Private Limited and analytical procedures of the Group's subsidiary Cerillion Inc.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the members of Cerillion plc

Continued

Key audit matter - Group	How the matter was addressed in the audit - Group
Improper revenue recognition **Complexity and judgement involved in accounting for multi-element revenue arrangements** Revenue for all revenue streams (service, software, Software-as-a-Service, and third party) is recognised in accordance with the Group's accounting policy and International Accounting Standard (IAS) 18 'Revenue', which requires a significant amount of management judgement around when the revenue should be recognised. The revenue recorded by the Group is one of the key determinants of the Group's underlying earnings before interest, taxes, depreciation and amortisation ("EBITDA") and profit before taxation ("PBT"), which are the primary financial Key Performance Indicators ("KPIs") for the Group. Therefore, we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: **Service (enhancement and implementation revenue)** • For implementation and enhancement revenue, testing management's processes and controls for determining the percentage completion on projects as well as controls over the inputs by testing a sample of Effort Status Reports (ESRs - reports used to track the 'effort' or stage of completion of a project); • Agreeing the input data per the ESR to underlying approved time sheet and; • Testing a sample of implementation and enhancement revenue contracts, agreeing the revenue to its underlying contract and confirming that it has been recognised in accordance with the appropriate accounting policy and percentage completion. **Software (licence revenue)** • Initial licences - these licences are highly bespoke, and management deem these services to be linked to the implementation phase of the project (i.e. as not distinct from), therefore revenue is recognised on the percentage completion basis. We tested a sample of licence contracts, agreeing the revenue to its underlying contract and confirming that it had been recognised in accordance with the appropriate accounting policy and percentage completion. As performed for implementation and enhancement projects noted above, we have tested management's processes and controls for determining the percentage completion on projects as well as controls over the inputs by testing a sample of Effort Status Reports (ESRs - reports used to track the 'effort' or stage of completion of a project). • Additional software licences – these are licences for software already implemented and controlled by the customer; we tested a sample of these licences to the underlying contract to ensure the revenue was recognised in accordance with the Group's accounting policy. **Software-as-a-Service (support and maintenance)** • For support and maintenance revenue, we developed a precise expectation of revenues for the year and investigated any variances outside of expectations. We obtained corroborating evidence for management explanations and tested a sample of the support and maintenance revenues to underlying contracts. The Group's accounting policy on revenue recognition is shown in the Principal Accounting Policies and related disclosures are included in notes 1 and 2 to the financial statements. **Key observations** Overall, there are no indications of improper revenue recognition in line with the Group's accounting policies from the testing performed.

We have determined that there are no key audit matters in relation to the Parent Company to communicate in our report.

Our application of materiality

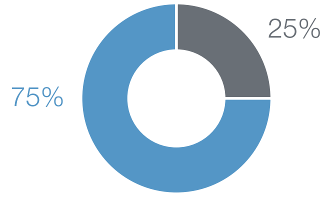
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£175,000 which is 1% of Group revenue. This benchmark is considered the most appropriate because revenue is a primary KPI for the Group and is a key determinant in the EBITDA and PBT figures. Materiality for the current year is higher than the level that we determined for the year ended 30th September 2017 due to an increase in revenue during the year.	£157,000, which is 2% of Parent Company net assets, capped at 90% of Group materiality. This benchmark is considered the most appropriate as the parent entity has minimal trading activity and primarily holds debt on behalf of the Group and investments in the Group's subsidiaries. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017 given the reasoning for the increase in Group's materiality was capped to 90% of the Group materiality in 2017 as well.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Audit Committee	£8,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,850 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

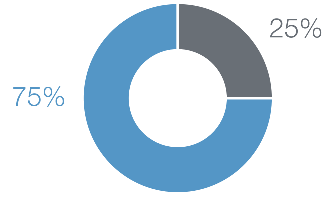
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality - Group



Tolerance for potential uncorrected misstatements
Performance materiality

Overall materiality - Parent



Tolerance for potential uncorrected misstatements
Performance materiality

Independent Auditor's Report to the members of Cerillion plc

Continued

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- Evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. For example, significance as a percentage of the Group's total assets, revenues and profit before taxation or significance based on qualitative factors;
- Performing comprehensive procedures on Cerillion plc and Cerillion Technologies Limited, targeted procedures on Cerillion Technologies India Private Limited and analytical procedures on Cerillion Inc.;
- Planning meetings with management to gain an update on the business and trade during the year, as well as leveraging our knowledge of the business from past audits;
- Evaluating operational effectiveness of controls over the determination of the percentage completion by contract and controls over the inputs to the ESR's; and
- The operations that were subject to comprehensive procedures made up 100% of Group revenues and 83% of Group profit before taxation. The operations that were subject to targeted procedures made up 17% of Group profit before taxation.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 21 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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 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 for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 20 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
23 November 2018

Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The Company is a public limited company, which was incorporated in England and Wales on 5 March 2015. The address of its registered office is 25 Bedford Street, London, WC2E 9ES. The principal activity of the Group is the supply and development of telecommunication software solutions and equipment. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and IFRIC interpretations endorsed by the European Union ("EU"). The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are held at fair value. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The Company's Directors are responsible for the preparation of the financial statements.

The preparation of the financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Further details regarding areas requiring significant assumptions and estimates are provided in note 1 to the financial statements.

The functional and presentational currency is UK Sterling. Amounts in the financial statements have been rounded to the nearest pound.

Re-presentation of the 2017 Statement of Financial Position

The Group has recently concluded discussions with the Financial Reporting Council's ("FRC") Corporate Governance & Reporting Division, which highlight that the prior year financial statements omitted to disclose the proportion of accrued income that was non-current. The 2017 Statement of Financial Position, and related notes, has been restated to correctly disclose the amount of non-current accrued income of £768,240, which had been included within current assets in error. There was no impact on total assets, net assets or the Statement of Comprehensive Income for the year to 30 September 2017.

Going concern

The Directors have assessed the current financial position of the Group, along with future cash flow requirements for a period in excess of 12 months from the date of signing the financial statements, to determine if the Group has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Group be considered a going concern, based on forecast profitability and positive cash inflows. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 September 2018. All subsidiaries have a reporting date of 30 September with the exception of the Indian subsidiary, which has a mandatory reporting date of 31 March. The Indian subsidiary is consolidated using its management accounts through to 30 September.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary or a business is the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued to the Group. The consideration transferred includes the fair values of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. Acquisition-related costs are expensed as incurred.

Intercompany transactions, unrealised gains and losses on intragroup transactions and balances between Group companies are eliminated on consolidation.

New and revised standards

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements as they are not as yet effective. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial instruments', effective date 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018
- IFRS 16, 'Leases', effective date 1 January 2019
- Amendment to IFRS 15 "Revenue from Contracts with Customers" (effective: 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective: 1 January 2018)
- Annual improvements to IFRSs 2014–2016 (effective: 1 January 2018)
- Annual improvements to IFRSs 2015–2017 (effective: 1 January 2019) (1)
- IFRIC 23, "Uncertainty over income tax treatments" (effective: 1 January 2019) (1)

(1) Not adopted by the EU (as at 30 September 2018).

IFRS 9, 'Financial instruments',

IFRS 9 will impact both the measurement and disclosure of financial instruments. The Group does not have any significant financing components within its contracts with customers and therefore is expecting to be able to apply the simplified approach to calculating expected credit loss associated with trade receivables in accordance with IFRS 9. The Group have not yet finalised the financial impact on restating the year ended 30 September 2018 trade receivables and accrued income using the expected credit loss approach.

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 will become applicable for the Group in the year ending 30 September 2019. The Group intends to adopt IFRS 15 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial recognition (the cumulative catch-up transition method).

The Group has completed its assessment of IFRS 15 and has not identified any material differences between the Group's current revenue recognition policy and the requirements of IFRS 15. The Group had considered the requirements of IFRS 15 as part of the Listing process and in forming its original revenue recognition policy.

The Group's contracts with customers often involve the delivery of multiple components. Judgement will be required here to determine whether these should be 'bundled' together or treated as distinct and accounted for as separate performance obligations. It is not expected that this aggregation will change either the period over which revenue is recognised or how the Group's significant revenue streams are classified and reported.

Standard licences with minimal implementation work will be recognised at a point in time once the customer has the ability and right to use all prepaid licences on the installed solution.

Where a licenced product requires significant customer modifications and implementation is more complex, revenue for the initial licence plus the implementation fees will continue to be recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

Principal Accounting Policies
Continued

The support and maintenance elements are considered to be a distinct performance obligation within contracts and therefore will continue to be recognised over time on a straight-line basis as the stand-ready service is available to the customer and any services performed.

Software-as-a-Service will continue to be recognised over time as the service is provided to and consumed by the customer.

Additional licences are expected to be recognised at a point in time once the additional licences are delivered to the customer.

For ongoing account development work, revenue will continue to be recognised over time by measuring the progress towards complete satisfaction of that performance obligation. Revenue on contracted third party time and material works will continue to be recognised as the work is performed, as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue on re-billable expenses is recognised as incurred.

The Group specifically considered the following new concepts that are outlined within IFRS 15, but which do not lead to a material change to the recognition currently applied:

- Gross or net revenue recognition depending on whether the Group acts as a principal or agent – in the case of third party time, material works and re-billable expenses the Group is considered to be acting as principal as it is the primary obligor in the sales transaction, the Group can select the supplier of the service and the Group holds the credit risk in the transaction.
- The accounting treatment of material rights granted to customers under contracts – there are no significant material rights granted to customers; and
- Significant financing components – there are no significant financing components, any financing was calculated as being immaterial.

IFRS 16, 'Leases'

IFRS 16 is yet to be subject to a detailed review but will impact the treatment of leases currently treated as operating leases, by bringing lease liabilities and an associated asset into the Statement of Financial Position. The biggest impact is likely to relate to property leases.

Segmental reporting

In accordance with IFRS 8, segmental information is presented based on the way in which financial information is reported internally to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board who makes strategic decisions.

During the years ended 30 September 2018 and 30 September 2017, the Group was organised into four main business segments for revenue purposes:

- Services: relates to revenue from providing services to customers on new implementation projects and enhancements (see revenue recognition policy (i) and (iii) on pages 29 and 30).
- Software: relates to support and maintenance revenue derived from people using the software as well as the licences to use the software (see revenue recognition policy (i) and (ii) on pages 29 and 30).
- Software-as-a-Service: relates to monthly subscriptions for a managed service or to use products on a pay as you go service (see revenue recognition policy (i) on page 30).
- Third Party: relates to revenue derived from third party services or licences, re-billable expenses and pass through of selling on hardware (see revenue recognition policy (iv) on page 30).

Assets are used across all segments and therefore are not split between segments.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which entities operate ('the functional currency'). The Financial Statements are presented in Sterling, which is the Parent Company's functional and presentation currency. There has been no change in the functional currency during the current or preceding period.

(ii) Transactions and balances

Transactions in foreign currencies are translated into Sterling using monthly average exchange rates. This is permissible in this case as there are no significant fluctuations between the currencies with which the entity operates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(iii) Foreign operations

In the Group's Financial Statements, all assets, liabilities and transactions of Group entities with a functional currency other than the GBP are translated into GBP upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into GBP at the closing rate. Income and expenses have been translated into GBP at the average rate over the reporting period. Exchange differences arising from significant foreign subsidiaries are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes.

The Group follows the principles of IAS 18 "Revenue" in determining appropriate revenue recognition policies. In principle, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue is derived from sales of standard licensed products (including installation, implementation, maintenance and support fees), additional licences, on-going account development work, third-party time and material works.

The excess of amounts invoiced over revenue recognised are included in deferred income. If the amount of revenue recognised exceeds the amount invoiced the excess is included within accrued income.

In applying the income recognition policies below where there is a requirement for a contract to be signed, income is recognised in accordance with the policy when the contract has been signed or persuasive evidence of an arrangement exists.

(i) Sale of standard licensed products

Revenue from standard licensed products comprises three elements, being:

- Initial licence and implementation fees ("inception fees");
- Ongoing maintenance and support fees; and
- Software-as-a-Service.

Principal Accounting Policies
Continued

With the contract detailing separately the contract value and payment milestones for each element.

When each element operates independently of the other, the Group will recognise inception fees and ongoing maintenance and support fees on the following basis.

Revenue for initial licence and implementation fees in relation to products which are not modified to meet the specific requirements of each customer and follow a straightforward implementation profile is recognised at the point at which the customer has the ability and right to use all prepaid licences on the installed solution.

Revenue from ongoing maintenance and support fees are recognised on a pro-rated basis over the duration of the contract.

Where a licenced product requires significant customer modifications and implementation is complex, revenue is recognised on applying the percentage of completion method to total contract value with estimates based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Provision is made for any losses on the contract as soon as they are foreseen.

Software-as-a-Service is revenue earned for providing a licence and/or service usually on a monthly rolling basis. Revenue is recognised over time based on the duration of the contract and the service time provided to date.

(ii) Sale of additional licences
Revenue from the sale of additional licences is recognised when the additional licences are delivered to the customer.

(iii) Ongoing account development work
Ongoing account development work is generally provided on a fixed price basis and as such revenue is recognised based on the percentage completion or delivery of the relevant project, whichever is most appropriate for the transaction. Where percentage completion is used it is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Provision is made for any losses as soon as they are foreseen.

(iv) Third-party, material works and re-billable expenses
Revenue on contracted third-party time and material works is recognised on a time basis using pre agreed day rates.

Revenue on re-billable expenses is recognised as incurred. In the case of third-party time, material works and re-billable expenses the Group is considered to be acting as principal as it is the primary obligor in the sales transaction, the Group can select the supplier of the service and the Group holds the credit risk in the transaction.

Cost of sales
Costs considered to be directly related to revenue are accounted for as cost of sales. All direct production costs and overheads, including indirect overheads that can reasonably be allocated, have been classified as cost of sales.

Taxation and deferred taxation
The income tax expense or income for the period is the tax payable on the current period's taxable income. This is based on the national income tax rate enacted or substantively enacted for each jurisdiction with any adjustment relating to tax payable in previous years and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current tax credits arise from the UK legislation regarding the treatment of certain qualifying research and development costs, allowing for the surrender of tax losses attributable to such costs in return for a tax rebate.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted by the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of temporary differences can be deducted. The carrying amount of deferred tax assets are reviewed at each reporting date.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions, the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries. Temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. These are the only types of lease utilised by the entity. Operating lease payments for assets leased from third parties are charged to profit or loss on a straight line basis over the period of the lease, on an accrued basis.

Impairment

Goodwill and assets that are subject to amortisation are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Derivative financial instruments

Derivative financial instruments held by the Group comprise forward foreign currency contracts and are recognised at fair value. The Group has not applied hedge accounting and the gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Principal Accounting Policies

Continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that Cerillion will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade and other receivables may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'cost of sales'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'cost of sales' in the profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and certain other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to Cerillion prior to the end of the financial period that are unpaid.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The ordinary share capital account represents the amount subscribed for shares at nominal value.

Retained earnings include all results as disclosed in the statement of comprehensive income.

Foreign exchange reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling.

Provisions

Provisions are recognised when Cerillion has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are the best estimate of the expenditure required to settle the obligation at the current reporting date.

Property, plant and equipment ("PPE")

PPE is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Cerillion and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on plant and machinery and fixtures and fittings is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements — Life of lease
- Fixtures and fittings — 3 – 4 years
- Computer equipment — 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

Intangible assets and amortisation

(i) Software

Expenditure on research is written off in the period in which it is incurred. Development expenditure incurred on specific projects is capitalised where the Board is satisfied that the following criteria have been met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which does not exceed 5 years.

Principal Accounting Policies
Continued

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets and liabilities assumed at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment testing is carried out by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

(iii) Purchased customer contracts

Purchased customer contracts acquired as part of a business combination are recognised at fair value if they are project specific and there is a level of certainty that there will be future recovery. Customer contracts are amortised over the perceived period that they will generate economic benefits. This is calculated using in depth analysis of future revenue from cash flow forecasts.

The customer contracts acquired as part of the acquisition of Cerillion Technologies Limited are to be amortised on a straight-line basis over a period of 7 years.

(iv) Intellectual property rights

Intellectual property rights acquired as part of a business combination are recognised at fair value based on an estimate of future profits. Intellectual property rights are amortised over the perceived period that they will generate economic benefits. This is calculated using in depth analysis of future revenue from cash flow forecasts.

The intellectual property rights acquired as part of the acquisition of Cerillion Technologies Limited are to be amortised on a straight-line basis over a period of 7 years.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less any provision for permanent diminution in value.

Interest

Interest income and expense are recognised using the effective interest method and comprise amounts receivable and payable on bank deposits and bank borrowings respectively.

Post-retirement benefits

Defined contribution schemes

The defined contribution schemes provide benefits based on the value of contributions made. The amounts charged as expenditure for the defined contribution scheme represents the contributions payable by Cerillion for the accounting years in respect of the schemes.

Exceptional items

Exceptional items are those significant items, and are one off items, that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Share-based employee remuneration

The Company operates equity-settled share-based remuneration plans for its employees. None of the Company's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). The fair value is determined by using the Black-Scholes method.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2018

	Notes	Year to 30 September 2018 £	Year to 30 September 2017 £
Revenue	2	**17,352,597**	16,032,976
Cost of sales		**(4,775,585)**	(3,814,488)
Gross profit		**12,577,012**	12,218,488
Operating expenses		(10,686,351)	(10,110,179)
Adjusted EBITDA*		**3,931,798**	3,616,536
Depreciation and amortisation		(1,744,076)	(1,508,227)
Share based payment charge		(135,400)	-
Exceptional items	3	**(161,661)**	-
Operating profit	3	**1,890,661**	2,108,309
Finance income	5	**9,556**	4,611
Finance costs	6	**(100,287)**	(117,569)
Profit before taxation		**1,799,930**	1,995,351
Taxation	7	**131,144**	27,328
Profit for the year		**1,931,074**	2,022,679
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		**(120,600)**	(38,026)
Total comprehensive profit for the year		**1,810,474**	1,984,653
Earnings per share			
Basic earnings per share – continuing and total operations	10	**6.5 pence**	6.9 pence
Diluted earnings per share – continuing and total operations		**6.4 pence**	6.8 pence

All transactions are attributable to the owners of the Parent.
The Group has no other recognised gains or losses for the current year.

Consolidated Statement of Financial Position

For the year ended 30 September 2018

	Notes	2018 £	2017 £
ASSETS			(Restated)
Non-current assets			
Goodwill	11	**2,053,141**	2,053,141
Intangible assets	11	**6,078,634**	6,571,158
Property, plant and equipment	12	**768,453**	359,939
Trade and other receivables	15	**577,288**	768,240
Deferred tax assets	14	**169,093**	270,123
		9,646,609	10,022,601
Current assets			
Trade and other receivables	15	**8,359,423**	7,740,586
Cash and cash equivalents		**5,254,302**	5,338,935
		13,613,725	13,079,521
TOTAL ASSETS		**23,260,334**	23,102,122
LIABILITIES			
Non-current liabilities			
Borrowings	17	**(1,793,070)**	(2,693,139)
Deferred tax liabilities	14	**(779,787)**	(1,076,166)
		(2,572,857)	(3,769,305)
Current liabilities			
Trade and other payables	16	**(5,051,858)**	(4,336,883)
Current tax liabilities	16	**(199,714)**	(236,822)
Borrowings	16	**(1,000,000)**	(1,000,000)
		(6,251,572)	(5,573,705)
TOTAL LIABILITIES		**(8,824,429)**	(9,343,010)
NET ASSETS		**14,435,905**	13,759,112
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	20	**147,567**	147,567
Share premium account		13,318,725	13,318,725
Share option reserve		135,400	-
Foreign exchange reserve		(12,713)	107,887
Retained profit		846,926	184,933
TOTAL EQUITY		**14,435,905**	13,759,112

The financial statements were approved and authorised for issue by the Board of Directors on 23 November 2018. Signed on behalf of the Board of Directors by

L T Hall
Director
Company Number 09472870

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Statement of Financial Position

For the year ended 30 September 2018

	Notes	2018 £	2017 £
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**14,651,571**	14,651,571
		14,651,571	14,651,571
Current assets			
Trade and other receivables	15	**4,105,185**	2,973,834
Cash and cash equivalents		**25,665**	10,780
		4,130,850	2,984,614
TOTAL ASSETS		**18,782,421**	17,636,185
LIABILITIES			
Non-current liabilities			
Borrowings	17	**(1,793,070)**	(2,693,139)
		(1,793,070)	(2,693,139)
Current liabilities			
Trade and other payables	16	**(782,100)**	(102,115)
Current tax liabilities	16	**(100,000)**	(100,000)
Borrowings	16	**(1,000,000)**	(1,000,000)
		(1,882,100)	(1,202,115)
TOTAL LIABILITIES		**(3,675,170)**	(3,895,254)
NET ASSETS		**15,107,251**	13,740,931
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	20	**147,567**	147,567
Share premium account		13,318,725	13,318,725
Share option reserve		135,400	-
Retained profit		**1,505,559**	274,639
TOTAL EQUITY		**15,107,251**	13,740,931

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented the statement of comprehensive income for the Parent Company. The total comprehensive income for the year was £2,500,000 (2017: £1,400,000)

The financial statements were approved and authorised for issue by the Board of Directors on 23 November 2018. Signed on behalf of the Board of Directors by

L T Hall
Director
Company Number 09472870

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		**1,931,074**	2,022,679
Adjustments for:			
Taxation		(131,144)	(27,328)
Finance income		(9,556)	(4,611)
Finance costs		100,287	117,569
Share option charge		135,400	-
Depreciation		319,017	249,715
Amortisation		**1,425,059**	1,258,212
		3,770,137	3,616,236
(Increase)/decrease in trade and other receivables		(427,885)	656,046
Increase/(decrease) in trade and other payables		**587,066**	(724,060)
Cash generated from operations		**3,929,318**	3,548,222
Finance costs		(100,287)	(117,569)
Finance income		9,556	4,611
Tax (paid)/received		**(101,314)**	7,845
NET CASH GENERATED FROM OPERATING ACTIVITIES		**3,737,273**	3,443,109
Cash flows from investing activities			
Capitalisation of development costs		**(932,535)**	(850,000)
Purchase of property, plant and equipment		**(729,988)**	(197,808)
NET CASH USED IN INVESTING ACTIVITIES		**(1,662,523)**	(1,047,808)
Cash flows from financing activities			
Borrowings repaid		**(900,069)**	(879,463)
Dividends paid		**(1,269,080)**	(1,180,539)
NET CASH (USED IN) FINANCING ACTIVITIES		**(2,169,149)**	(2,060,002)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(94,399)**	335,299
Translation differences		**9,766**	(2,549)
Cash and cash equivalents at beginning of year		5,338,935	5,006,185
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,254,302**	5,338,935

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 30 September 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		**2,500,000**	1,400,000
Adjustments for:			
Taxation		-	100,000
Finance costs		99,989	116,773
Share option charge		**135,400**	-
		2,735,389	1,616,773
Increase in trade and other receivables		(1,131,351)	(2,916,344)
Increase in trade and other payables		**679,985**	29,969
Cash generated from/(used in) operations		**2,284,023**	(1,269,602)
Finance costs		**(99,989)**	(116,773)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**2,184,034**	(1,386,375)
Cash flows from financing activities			
Borrowings repaid		**(900,069)**	(879,463)
Dividends paid		**(1,269,080)**	(1,180,539)
NET CASH USED IN FINANCING ACTIVITIES		**(2,169,149)**	(2,060,002)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,885**	(3,446,377)
Cash and cash equivalents at beginning of year		**10,780**	3,457,157
CASH AND CASH EQUIVALENTS AT END OF YEAR		**25,665**	10,780

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Ordinary share capital £	Share premium £	Share option reserve £	Foreign exchange reserve £	Retained earnings £	Total £
Balance at 1 October 2016	**147,567**	**13,318,725**	**-**	**145,913**	**(657,207)**	**12,954,998**
Profit for the year	-	-	-	-	2,022,679	2,022,679
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	(38,026)	-	(38,026)
Total comprehensive income	-	-	-	(38,026)	2,022,679	1,984,653
Transactions with owners:						
Dividends	-	-	-	-	(1,180,539)	(1,180,539)
Total transactions with owners	-	-	-	-	(1,180,539)	(1,180,539)
Balance as at 30 September 2017	**147,567**	**13,318,725**	**-**	**107,887**	**184,933**	**13,759,112**

	Ordinary share capital £	Share premium £	Share option reserve £	Foreign exchange reserve £	Retained earnings £	Total £
Balance at 1 October 2017	**147,567**	**13,318,725**	**-**	**107,887**	**184,933**	**13,759,112**
Profit for the year	-	-	-	-	1,931,074	1,931,074
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	(120,600)	-	(120,600)
Total comprehensive income	-	-	-	(120,600)	1,931,074	1,810,474
Transactions with owners:						
Share option charge	-	-	135,400	-	-	135,400
Dividends	-	-	-	-	(1,269,080)	(1,269,080)
Total transactions with owners	-	-	135,400	-	(1,269,080)	(1,133,680)
Balance as at 30 September 2018	**147,567**	**13,318,725**	**135,400**	**(12,713)**	**846,926**	**14,435,906**

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 September 2018

	Ordinary share capital £	Share premium £	Share option reserve £	Retained Earnings £	Total £
Balance at 1 October 2016	**147,567**	**13,318,725**	**-**	**55,178**	**13,521,470**
Profit for the year	-	-	-	1,400,000	1,400,000
Total comprehensive income	-	-	-	1,400,000	1,400,000
Transactions with owners:					
Dividends	-	-	-	(1,180,539)	(1,180,539)
Total transactions with owners	-	-	-	(1,180,539)	(1,180,539)
Balance as at 30 September 2017	**147,567**	**13,318,725**	**-**	**274,639**	**13,740,931**

	Ordinary share capital £	Share premium £	Share option reserve £	Retained Earnings £	Total £
Balance at 1 October 2017	**147,567**	**13,318,725**	**-**	**274,639**	**13,740,931**
Profit for the year	-	-	-	2,500,000	2,500,000
Total comprehensive income	-	-	-	2,500,000	2,500,000
Transactions with owners:					
Share option charge	-	-	135,400	-	135,400
Dividends	-	-	-	(1,269,080)	(1,269,080)
Total transactions with owners	-	-	135,400	(1,269,080)	(1,133,680)
Balance as at 30 September 2018	**147,567**	**13,318,725**	**135,400**	**1,505,559**	**15,107,251**

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2018

1. Critical accounting estimates and judgements and other sources of estimation uncertainty

a. Critical accounting estimates and judgements

The preparation of Financial Statements under IFRS requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying Cerillion's accounting policies.

Judgements

i. Capitalisation of development costs

Development costs are capitalised only after the technical and commercial feasibility of the asset for sale or use have been established. This is determined by our intention to complete and/or use the intangible asset. The future economic benefits of the asset are reviewed using detailed cash flow projections. The key judgement is whether there will be a market for the products once they are available for sale.

ii. Revenue recognition

Revenue is recognised on the basis of implementation of the project. In respect of long term contracts, the revenue is in line with percentage completed in terms of effort to date as a percentage of total forecast effort. Total forecast is prepared by project managers on a monthly basis and reviewed by the project office and senior management team on a monthly basis. The key judgement is accurately forecasting the effort required to complete the project.

Estimates

i. Business combinations

Management uses valuation techniques in determining the fair values of various elements of a business combination.

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their provisional fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, actual results may vary.

ii. Depreciation and amortisation

Depreciation and amortisation rates are based on estimates of the useful economic lives and residual values of the assets involved. The assessment of these useful economic lives is made by projecting the economic lifecycle of the asset. The key judgement is estimating the useful economic life of the development costs capitalised, a review is conducted annually by project. Depreciation and amortisation rates are changed where economic lives are re-assessed and technically obsolete items written off where necessary. Refer to notes 11 and 12.

b. Other sources of estimation uncertainty

i. Recoverability of trade debtors and accrued income

Management use their judgement when determining whether trade debtors and accrued income are considered recoverable or where a provision for impairment is considered necessary. The assessment of recoverability will include consideration of whether the balance is with a long standing client, whether the customer is experiencing financial difficulties, the fact that balances are recognised under contract and that the products sold are mission-critical to the customer's business. Refer to notes 15 and 18.

Notes to the Financial Statements

For the year ended 30 September 2018
Continued

2. Segment information

During the year ended 30 September 2018, the Group was organised into four main business segments for revenue purposes.

Under IFRS 8 there is a requirement to show the profit or loss for each reportable segment and the total assets and total liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision-maker.

In respect of the profit or loss for each reportable segment the expenses are not reported by segment and cannot be allocated on a reasonable basis and, as a result, the analysis is limited to the Group revenue.

Assets and liabilities are used or incurred across all segments and therefore are not split between segments.

	2018 £	2017 £
Revenue		
Services	**9,197,735**	7,283,678
Software	5,588,087	7,594,346
Software-as-a-Service	898,529	306,834
Third party	**1,668,246**	848,118
Total revenue	**17,352,597**	16,032,976

The following table provides a reconciliation of the revenue by segment to the revenue recognition accounting policy as outlined on page 29.

		Accounting policies				
Year ended 30 September 2018	£	(i) £	(ii) £	(iii) £	(iv) £	Total £
Services	**9,197,735**					
Implementation fees		4,104,532				4,104,532
Ongoing account development work				5,093,203		5,093,203
Software	**5,588,087**					-
Initial licence fees		964,647				964,647
Sale of additional licenses			497,947			497,947
Ongoing maintenance and support fees		4,125,493				4,125,493
Software-as-a-Service	**898,529**	898,529				898,529
Third Party	**1,668,246**				1,668,246	1,668,246
Total	**17,352,597**	**10,093,201**	**497,947**	**5,093,203**	**1,668,246**	**17,352,597**

		Accounting policies				
Year ended 30 September 2017	£	(i) £	(ii) £	(iii) £	(iv) £	Total £
Services	**7,283,678**					
Implementation fees		2,634,108				2,634,108
Ongoing account development work				4,649,570		4,649,570
Software	**7,594,346**					-
Initial licence fees		2,118,155				2,118,155
Sale of additional licences			1,335,091			1,335,091
Ongoing maintenance and support fees		4,141,100				4,141,100
Software-as-a-Service	**306,834**	306,834				306,834
Third Party	**848,118**				848,118	848,118
Total	**16,032,976**	**9,200,197**	**1,335,091**	**4,649,570**	**848,118**	**16,032,976**

a. Geographical information

As noted above, the internal reporting of the Group's performance does not require that the statement of financial position information is gathered on the basis of the business streams. However, the Group operates within discrete geographical markets such that capital expenditure, total assets and net assets of the Group are split between these locations as follows:

	Europe £	MEA £	Americas £	Asia Pacific £
Year ended 30 September 2018				
Revenue – by customer location	12,376,044	463,960	3,459,507	1,053,086
Capital expenditure	1,651,735	-	-	10,788
Non-current assets	9,488,303	-	-	158,306
Total assets	22,738,507	-	-	521,827
Net assets	**14,357,599**	**-**	**-**	**78,306**

	Europe £	MEA £	Americas £	Asia Pacific £
Year ended 30 September 2017				
Revenue – by customer location	7,425,865	1,040,313	6,206,583	1,360,215
Capital expenditure	1,030,452	-	-	17,613
Non-current assets	9,849,278	-	-	173,323
Total assets	22,567,238	-	-	534,884
Net assets	**13,587,658**	**-**	**-**	**171,454**

All revenue is contracted within the UK subsidiary Cerillion Technologies Limited and therefore all revenue is domiciled in the Europe segment.

Cerillion receives greater than 10% of revenue from individual customers in the following geographical regions:

	Operating segment	**2018 £**	2017 £
Customer			
No. 1	Europe	**3,700,187**	-
No. 2	Europe	**2,317,726**	2,046,630
No. 3	Europe	**1,795,246**	860,220
No. 4	Americas	**1,322,895**	3,637,472
No. 5	Americas	**913,547**	1,770,640

Notes to the Financial Statements

For the year ended 30 September 2018

Continued

3. Operating profit

	2018 £	2017 £
Operating profit is stated after (crediting)/charging:		
Depreciation	**319,017**	249,715
Amortisation of intangibles	**1,425,059**	1,258,212
Research and development costs	**68,132**	303,849
Bad debt expense	**174,540**	174,551
Foreign exchange (gains) / losses	**(208,324)**	464,858
Operating leases	**919,914**	614,906
Exceptional items	**161,661**	-
Fees payable to Cerillion's principal auditor:		
- Audit of Cerillion plc's annual accounts	**6,000**	6,000
- Audit of subsidiaries	**44,000**	44,000
- Non-audit services – tax services	**10,950**	11,000
- Non-audit services – other	**18,031**	5,500
Fees payable to associates of principal auditor:		
- Audit of subsidiaries	**10,008**	10,182
- Non-audit services – tax services	**21,115**	24,048

The exceptional items represent one-off costs incurred from the relocation of the London office caused by over-lapping rental periods.

4. Directors and employees

Group	2018 £	2017 £
Employee costs (including Directors):		
Wages and salaries	**8,462,382**	7,897,555
Social security costs	**663,116**	602,462
Payments into defined contribution pension schemes	**331,133**	336,465
	9,456,631	8,836,482

Group	2018 Number	2017 Number
The average number of employees (including Directors) during the year was made up as follows:		
Management and administration	**25**	21
Sales and marketing	**16**	14
Support and development staff	**143**	131
Executive Directors	**3**	3
Non-executive Directors	**2**	2
	189	171

For details of Directors' remuneration, refer to the Remuneration Report on pages 14 to 16. Key management personnel is covered in note 23.

5. Finance income

	2018 £	2017 £
Finance income:		
Bank interest receivable	**9,556**	4,611

6. Finance costs

	2018 £	2017 £
Finance costs:		
Interest payable in respect of loans	**(99,931)**	(116,772)
Other interest payable	**(356)**	(797)
	(100,287)	(117,569)

7. Taxation

a. Analysis of tax charge for the year

The tax charge for the Group is based on the profit for the year and represents:

	2018 £	2017 £
Current tax expense	**74,138**	229,263
Deferred tax credit	**(205,282)**	(256,591)
Total tax credit	**(131,144)**	(27,328)

b. Factors affecting total tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom 19.0% (2017: 19.5%). The differences are explained as follows:

Profit on ordinary activities before tax	**1,799,930**	1,995,351
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2017: 19.5%)	**341,987**	389,093
Effect of:		
Expenses not deductible/income not taxable for tax purposes	**118,005**	8,529
Difference in tax rates	**(68,502)**	20,123
Other temporary differences	**-**	3,477
Prior year tax adjustment	**(37,108)**	-
Losses carried forward	**(1,692)**	-
Enhanced relief for research and development	**(483,834)**	(448,550)
Total tax (credit)	**(131,144)**	(27,328)

There are currently no deferred tax assets or liabilities recognised within the Parent Company accounts. Taxable losses within the Parent Company totalling £134,591 (2017: £134,591) have been carried forward, but no deferred tax asset has been recognised in relation to these losses due to the uncertainty surrounding the timing of their recovery.

Notes to the Financial Statements

For the year ended 30 September 2018

Continued

8. Profit attributable to Cerillion plc

The profit for the financial year of the Parent Company, Cerillion plc was £2,500,000 (2017: £1,400,000). As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Parent Company.

9. Dividends

a. Dividends paid during the reporting period

The Board paid the final dividend in respect of 2017 of 2.8p per share and declared and paid an interim 2018 dividend of 1.5p (2017: 1.4p) per share. Total dividends paid during the reporting period were £1,269,080 (2017: £1,180,539).

b. Dividends not recognised at the end of the reporting period

Since the year end the Directors have proposed the payment of a dividend in respect of the full financial year of 3.0p per fully paid Ordinary Share (2017: 2.8p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 September 2018, but not recognised as a liability at the year end is £885,405 (2017: £826,378).

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	2018	2017
Profit attributable to equity holders of the Company (£)	**1,931,074**	2,022,679
Weighted average number of Ordinary Shares in issue (number)	**29,513,486**	29,513,486
Effect of share options in issue	**436,696**	33,492
Weighted average shares for diluted earnings per share	**29,950,182**	29,546,978
Basic earnings per share (pence per share)	**6.5**	6.9
Diluted earnings per share (pence per share)	**6.4**	6.8

11. Intangible assets

Group	Goodwill £	Purchased customer contracts £	Intellectual property rights £	Software development costs £	Total £
Cost					
At 1 October 2016	2,053,141	4,382,654	2,567,160	601,111	9,604,066
Additions	-	-	-	850,000	850,000
At 30 September 2017	2,053,141	4,382,654	2,567,160	1,451,111	10,454,066
Additions	-	-	-	932,535	932,535
At 30 September 2018	**2,053,141**	**4,382,654**	**2,567,160**	**2,383,646**	**11,386,601**
Amortisation					
At 1 October 2016	-	313,047	183,369	75,139	571,555
Provided in the year	-	626,093	366,737	265,382	1,258,212
At 30 September 2017	-	939,140	550,106	340,521	1,829,767
Provided in the year	-	626,093	366,737	432,229	1,425,059
At 30 September 2018	**-**	**1,565,233**	**916,843**	**772,750**	**3,254,826**
Net book amount at 30 September 2018	**2,053,141**	**2,871,421**	**1,650,317**	**1,610,896**	**8,131,775**
Net book amount at 30 September 2017	2,053,141	3,443,514	2,017,054	1,110,590	8,624,299

Amortisation has been included in administrative expenses in the statement of comprehensive income.

The carrying value of goodwill included within the Cerillion plc balance sheet is £2,053,141, which is allocated to the cash-generating unit ("CGU") of Cerillion Technologies Limited Group. The CGU's recoverable amount has been determined based on its fair value less costs to sell. As Cerillion plc was established to purchase the CTL Group the fair value less costs to sell has been calculated based on the market capitalisation of Cerillion plc less the estimated costs to sell the CTL Group.

Using an average market share price of Cerillion plc for the year ended 30 September 2018, less an estimate of costs to sell, there is significant headroom above the carrying value of the cash-generating unit and therefore no impairment exists.

The calculations show that a reasonably possible change, as assessed by the Directors, would not cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the Financial Statements

For the year ended 30 September 2018

Continued

12. Property plant and equipment

Group	Leasehold improvements £	Computer equipment £	Furniture and fittings £	Total £
Cost				
At 1 October 2016	605,213	3,361,266	779,163	4,745,642
Additions	-	170,519	27,289	197,808
Disposals	-	(2,000)	(1,500)	(3,500)
Exchange difference	(2,633)	(2,073)	(1,529)	(6,235)
At 30 September 2017	602,580	3,527,712	803,423	4,933,715
Additions	421,789	166,741	141,458	729,988
Disposals	(425,162)	(2,481,828)	(666,223)	(3,573,213)
Exchange difference	(13,462)	(11,479)	(8,104)	(33,045)
At 30 September 2018	**585,745**	**1,201,147**	**270,553**	**2,057,445**
Depreciation				
At 1 October 2016	594,393	2,979,383	760,361	4,334,137
Provided in the year	7,057	225,529	17,129	249,715
Disposals	-	(2,000)	(1,000)	(3,000)
Exchange difference	(2,669)	(2,671)	(1,736)	(7,076)
At 30 September 2017	598,781	3,200,241	774,754	4,573,776
Provided in the year	38,326	232,869	47,822	319,017
Disposals	(425,162)	(2,481,828)	(666,223)	(3,573,213)
Exchange difference	(13,461)	(9,503)	(7,624)	(30,588)
At 30 September 2018	**198,484**	**941,779**	**148,729**	**1,288,992**
Net book amount at 30 September 2018	**387,261**	**259,368**	**121,824**	**768,453**
Net book amount at 30 September 2017	3,799	327,471	28,669	359,939

All depreciation charges are included within admin expenses and no impairment has been charged.

As referred to in note 17, the Group's loan is secured over all the assets of the Group.

There were no property, plant and equipment assets owned by the Parent Company.

13. Investments in subsidiaries

The Group

At 30 September 2018 the Company's subsidiary undertakings, all of which have been included in the Group financial statements, were:

Name	Country of incorporation	Percentage and class of shares held	Year end	Nature of Business
Cerillion Technologies Limited*	UK	100% - ordinary	30 September	Software services
Cerillion Inc	USA	100% - ordinary	30 September	Software services
Cerillion Technologies India Private Limited	India	100%** - ordinary	31 March***	Software services

* Cerillion Technologies Limited is the only subsidiary owned directly by Cerillion plc. Cerillion Technologies Limited is the parent for the other two subsidiaries. Its registered office is the same as the Parent Company, being 25 Bedford Street, London, England, WC2E 9ES.

** includes holdings held indirectly through Cerillion Inc

*** For the purpose of the Group financial statements for the year ended 30 September 2018, management accounts have been drawn up to 30 September 2018.

Cerillion Inc's registered office is: c/o Cohen & Grigsby, 625 Liberty Avenue, Pittsburgh, PA 15222-3152, USA. Cerillion Technologies India Private Limited's registered office is: Tower V, Wing 2B, Cyber City, Magarpatta City, Hadapsar, Pune 411013, India.

The Company	Investments in subsidiary undertakings £
Cost and net book value:	
As at 1 October 2016	14,651,571
Additions	-
As at 30 September 2017	14,651,571
Additions	-
As at 30 September 2018	**14,651,571**

Notes to the Financial Statements

For the year ended 30 September 2018

Continued

14. Deferred tax

Deferred tax asset

Group	Accelerated capital allowances £	Other temporary differences £	Total £
1 October 2016	113,646	206,900	320,546
Foreign exchange movement on opening deferred tax asset	-	(2,375)	(2,375)
Repayment of tax deposit	-	(100,000)	(100,000)
Credited to profit or loss	4,682	47,270	51,952
30 September 2017	**118,328**	**151,795**	**270,123**

Group	Accelerated capital allowances £	Other temporary differences £	Total £
1 October 2017	118,328	151,795	270,123
Foreign exchange movement on opening deferred tax asset	-	(9,933)	(9,933)
Credited to profit or loss	(71,486)	(19,611)	(91,097)
30 September 2018	**46,842**	**122,251**	**169,093**

Deferred tax liability

Group

The deferred tax liability arose in respect of the fair value uplift of intangible assets, with £1,320,465 arising on the acquisition of Cerillion Technologies Limited in March 2016 and £70,660 relating to the acquisition of "Net Solutions Services" by Cerillion Technologies Limited in 2015.

	2018 £	2017 £
At 1 October 2017	**1,076,166**	1,280,805
Credited to profit or loss	**(296,379)**	(204,639)
As at 30 September 2018	**779,787**	1,076,166

There are no deferred tax assets or deferred tax liabilities recognised within the Parent Company as at 30 September 2018 (2017: £nil).

15. Trade and other receivables

Current receivables	The Group 2018 £	The Group 2017 £ (restated)	The Company 2018 £	The Company 2017 £
Trade receivables	**2,136,147**	1,956,936	**-**	-
Accrued income	**5,750,543**	5,097,784	**-**	-
Amounts owed by group undertakings	**-**	-	**4,099,176**	2,967,584
Other receivables	**287,666**	492,662	**-**	-
Prepayments	**185,067**	193,204	**6,009**	6,250
	8,359,423	7,740,586	**4,105,185**	2,973,834

Non-current receivables	The Group 2018 £	The Group 2017 £ (restated)	The Company 2018 £	The Company 2017 £
Accrued income	**577,288**	768,240	**-**	-

Credit quality of receivables

A detailed review of the credit quality of each client is completed before an engagement commences.

The credit risk relating to trade receivables is analysed as follows:

Group	2018 £	2017 £
Trade receivables	**2,776,026**	2,301,586
Bad debt provision	**(639,879)**	(344,650)
	2,136,147	1,956,936

The Parent Company had no trade receivables in either period.

The other classes of assets within trade and other receivables do not contain impaired assets.

The net carrying value is judged to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the year ended 30 September 2018

Continued

15. Trade and other receivables (continued)

The following is an ageing analysis of those trade receivables that were not past due and those that were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Group	2018 £	2017 £
Not past due	**1,391,620**	1,598,807
Up to 3 months	192,367	80,898
3 to 6 months	366,615	154,139
Older than 6 months	**185,545**	123,092
	2,136,147	1,956,936

Of the trade debt older than 6 months as at 30 September 2018, being £185,545 (2017: £123,092), cash of £nil (2017: £93,693) has been received since the year end.

The following is an ageing analysis of those trade receivables that were individually considered to be impaired:

Group	2018 £	2017 £
Not past due	**-**	16,982
Up to 3 months	425,451	25,926
3 to 6 months	14,417	101,347
Older than 6 months	**200,011**	200,395
	639,879	344,650

16. Trade and other payables

	The Group		The Company	
	2018 £	2017 £	2018 £	2017 £
Trade payables	**960,034**	732,185	**126,741**	34,162
Taxation	199,714	236,822	100,000	100,000
Other taxation and social security	91,249	170,854	72,373	49,133
Pension contributions	39,322	40,413	-	-
Other payables	465,645	427,940	-	-
Accruals	1,596,957	1,221,442	582,986	18,820
Deferred income	1,898,651	1,744,049	-	-
Loans (note 17)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	6,251,572	5,573,705	**1,882,100**	1,202,115

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

17. Borrowings and financial liabilities

	The Group		The Company	
	2018 £	2017 £	2018 £	2017 £
Current liabilities:				
Secured loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Non-current liabilities:				
Secured loans	**1,793,070**	2,693,139	**1,793,070**	2,693,139
	2,793,070	3,693,139	**2,793,070**	3,693,139

17a Terms and repayment schedule

The Facility Agreement between the Company and HSBC Bank plc made available a loan of up to £5 million (the "Loan") for the purpose of assisting with the payment of the cash element of the acquisition of Cerillion Technologies Limited.

The Loan is secured over the assets of the Group and was drawn down in full in March 2016. The terms and conditions of outstanding loans are as follows:

a. it bears interest at the rate of 2.5 per cent. per annum over the Bank of England Base Rate as published from time to time;
b. is repayable by the Company by quarterly repayments in the amount of £250,000 inclusive of interest, for the first three years of the term, and thereafter in an amount of £300,000 inclusive of interest, in accordance with an agreed repayment schedule;
c. is terminable on a change of control of the Company and repayable following an event of default; and
d. is for a term of five years from the date of first drawdown.

	Non-current Borrowings £	Current Borrowings £	Total £
1 October 2017	2,693,139	1,000,000	3,693,139
Cash-flows:			
Repayment	-	(900,069)	(900,069)
Non-cash:			
Reclassification	(900,069)	900,069	-
30 September 2018	**1,793,070**	**1,000,000**	**2,793,070**

	Non-current Borrowings £	Current Borrowings £	Total £
1 October 2016	3,572,602	1,000,000	4,572,602
Cash-flows:			
Repayment	-	(879,463)	(879,463)
Non-cash:			
Reclassification	(879,463)	879,463	-
30 September 2017	**2,693,139**	**1,000,000**	**3,693,139**

Notes to the Financial Statements

For the year ended 30 September 2018

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18. Financial instruments and risk management

Group Financial instruments by category	2018 £	2017 £
Financial assets - loans and receivables		(restated)
Non-current		
Accrued income	577,288	768,240
Current		
Trade and other receivables	2,423,813	2,449,598
Accrued income	5,750,543	5,866,024
Cash and cash equivalents	5,254,302	5,338,935
	13,428,658	13,654,557

Prepayments are excluded, as this analysis is required only for financial instruments.

Financial liabilities - held at amortised cost	2018 £	2017 £
Non-current		
Borrowings	1,793,070	2,693,139
	1,793,070	2,693,139
Current		
Current borrowings	1,000,000	1,000,000
Trade and other payables	1,425,679	1,330,979
Pension costs	39,322	40,413
Accruals	1,596,956	1,221,442
	4,061,957	3,592,834

Statutory liabilities and deferred income are excluded from the trade payables balance, as this analysis is required only for financial instruments.

Company Financial instruments by category	2018 £	2017 £
Financial assets - loans and receivables		
Current		
Amounts owed by Group undertakings	4,099,176	2,967,584
Cash and cash equivalents	25,665	10,780
	4,124,841	2,978,364

Financial liabilities - held at amortised cost	2018 £	2017 £
Non-current		
Borrowings	1,793,070	2,693,139
	1,793,070	2,693,139
Current		
Current borrowings	1,000,000	1,000,000
Trade and other payables	126,741	34,162
Accruals	582,986	18,820
	1,709,727	1,052,982

There is no material difference between the book value and the fair value of the financial assets and financial liabilities disclosed above for either the Group or Parent Company.

There were no derivative financial instruments in existence as at 30 September 2018 (2017: £nil).

The Group's multinational operations expose it to financial risks that include market risk, credit risk, foreign currency risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (S&P) (if available) or to historical information about counterparty default rates:

	2018 £	2017 £
Trade receivables		
Group 1	**55,215**	1,900
Group 2	**1,668,857**	1,939,473
Group 3	**412,075**	15,563
	2,136,147	1,956,936

Group 1 – new customers (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past.

At the year end there are 7 customers (2017: 6 customers) with trade receivable balances each representing in excess of 5% of the total trade receivables of £2,136,147. Of these customers, 2 are categorised within Group 3 above (2017: nil), representing 16% of total trade receivables, with the remainder within Group 2.

There are no trade receivables within the Parent Company.

	2018 £	2017 £
Cash at bank and short-term deposits		
A1	**5,251,059**	5,336,036
Not rated	**3,243**	2,899
	5,254,302	5,338,935

A1 rating means that the risk of default for the investors and the policy holder is deemed to be very low.
Not rated balances relate to petty cash amounts. All cash within the Parent Company is with the A1 category.

Market risk – foreign exchange risk

Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars (USD), Australian dollars (AUD) and Euros (EUR). There is no foreign exchange exposure within the Parent Company.

To mitigate the Group's exposure to foreign currency risk, non-GBP cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions.

Notes to the Financial Statements

For the year ended 30 September 2018

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18. Financial instruments and risk management (continued)

As at 30 September 2018 the Group had no forward foreign exchange contracts in place (2017: none) to mitigate exchange rate exposure arising from forecast income in US Dollars, Australian Dollars and Euros. The contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as hedging instruments, so are treated as held for trading in accordance with IAS 39.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into GBP at the closing rate:

	AUD	USD	EUR	INR
30 September 2018				
Financial assets	72,921	2,741,242	2,857,232	366,443
Financial liabilities	-	(92,676)	(11,161)	(443,522)
Total exposure	**72,921**	**2,648,566**	**2,846,071**	**(77,079)**

	AUD	USD	EUR	INR
30 September 2017				
Financial assets	269,699	7,662,036	1,376,700	365,994
Financial liabilities	-	(141,917)	(15,395)	(378,943)
Total exposure	**269,699**	**7,520,119**	**1,361,305**	**(12,949)**

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the US Dollar, Australian Dollar, Euro and Indian Rupee to GBP exchange rate 'all other things being equal'. It assumes a +/- 10% change to each of the foreign currency to GBP exchange rates. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the GBP had strengthened against the foreign currencies by 10% then this would have had the following impact:

30 September 2018	AUD	USD	EUR	INR
Loss for the year	(6,629)	(240,779)	(258,734)	7,007
Equity total	**(6,629)**	**(240,779)**	**(258,734)**	**7,007**

30 September 2017	AUD	USD	EUR	INR
Loss for the year	(24,518)	(683,647)	(123,755)	1,177
Equity total	(24,518)	(683,647)	(123,755)	1,177

If the GBP had weakened against the foreign currencies by 10% then this would have had the following impact:

30 September 2018	AUD	USD	EUR	INR
Profit for the year	8,102	294,285	316,230	(8,564)
Equity total	**8,102**	**294,285**	**316,230**	**(8,564)**

30 September 2017	AUD	USD	EUR	INR
Profit for the year	29,967	835,569	151,256	(1,439)
Equity total	29,967	835,569	151,256	(1,439)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Market risk – cash flow interest rate risk

Cerillion had outstanding borrowing within the Group and Company, as disclosed in note 17.

These were loans taken out with HSBC to facilitate the purchase of shares prior to the Admission on AIM.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 September 2018, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's cash at bank and short-term deposits is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
30 September 2018	**(33,050)**	**32,759**	**(33,050)**	**32,759**
30 September 2017	(38,643)	38,354	(38,643)	38,354

Liquidity risk

Cerillion actively maintains cash that is designed to ensure Cerillion has sufficient available funds for operations and planned expansions. The table below analyses Cerillion's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 September 2018				
Borrowings	**1,178,065**	**1,242,257**	**627,112**	**-**
Trade and other payables	**5,251,572**	**-**	**-**	**-**
30 September 2017				
Borrowings	1,099,932	1,178,065	1,869,369	-
Trade and other payables	4,573,705	-	-	-

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. In the short-term this means generating sufficient cash to repay the existing loans, whilst maintaining the dividend policy and investment in research and development.

The Group monitors cash balances and prepares regular forecasts, which are reviewed by the Board. Since the year end the Directors have proposed the payment of a dividend. In order to maintain or adjust the capital structure, the Group may, in the future, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Parent Company has the same approach to capital risk management, with the additional focus of monitoring dividends up from group companies to ensure that sufficient reserves are in place to maintain the dividend policy.

Notes to the Financial Statements

For the year ended 30 September 2018
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19. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value are required to be grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

There were no derivative financial instruments in existence nor any other financial instruments measured at fair value on a recurring basis at 30 September 2018 (2017: £nil).

There were no transfers between Level 1 and Level 2 in 2018 or 2017 and no derivative financial instruments within the Group.

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, with valuation techniques selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. When the Group enters into foreign currency forward contracts (Level 2) as they are not traded in active markets, they would be fair valued using observable forward exchange rates corresponding to the maturity of the contract. The effects of non-observable inputs are not expected to be significant should the Group enter into foreign currency forward contracts.

20. Share capital

	2018 £	2017 £
Issued, allotted, called up and fully paid:		
29,513,486 (2017: 29,513,486) Ordinary shares of 0.5 pence	**147,567**	147,567

The Ordinary Shares have been classified as Equity. The Ordinary Shares have attached to them full voting and capital distribution rights.

The Company does not have an authorised share capital.

21. Share based payments

The Group introduced a Save as You Earn ("SAYE") share option scheme and a Long-Term Incentive Plan ("LTIP") in 2017. The Group is required to reflect the effects of share-based payment transactions in its profit or loss and financial position. For the purposes of calculating the fair value of share options granted, the Black-Scholes Pricing Model has been used by the Group. Fair values have been calculated on the date of grant.

There were no new share options granted in 2018, but the impact in 2017 was immaterial and therefore no charge was recognised. A charge of £135,400 (2017: £nil) has been reflected in the consolidated statement of comprehensive income, with the corresponding entry recognised within the share option reserve.

The fair value of options granted in the prior year and the assumptions used in the calculation are shown below:

Year of grant Scheme	2017 SAYE	2017 LTIP
Exercise price (£)	1.132	0.05
Number of options granted	189,845	300,000
Vesting period (years)	3 years	3 to 3.5 years
Option life (years)	3.5 years	5 to 5.5 years
Risk free rate	0.5%	1.0%
Volatility	41%	41%
Dividend yield	3%	3%
Fair value (£)	0.44	1.20

The share option schemes are issued by the Parent Company, therefore the disclosures within this note cover the Group and Parent Company.

During the period no options were granted as summarised in the table below:

	2018 Number of Options	2018 Weighted average exercise price £	2017 Number of Options	2017 Weighted average exercise price £
Outstanding at start of period	489,845	0.44	-	-
Granted	-	-	489,845	0.44
Expired	(50,000)	0.05	-	-
Outstanding at 30 September	**439,845**	**0.49**	489,845	0.44
Exercisable at 30 September	**-**	**-**	-	-

Notes to the Financial Statements

For the year ended 30 September 2018

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22. Retirement benefits

The Group operates a group personal contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £331,133 (2017: £336,465).

23. Related party transactions

i. Remuneration of key management personnel

The Group and Company consider that the Directors are their key management personnel and further detail of their remuneration is disclosed in the Remuneration Report for 2018.

No key personnel other than the Directors have been identified in relation to the period ended 30 September 2018 (2017: none).

ii. Related party transactions

The aggregate dividends paid to Directors during the year were £700,950 (2017: £761,809).

No other related party transactions took place during the period (2017: none).

24. Future lease payments

The Group had commitments under non-cancellable operating leases in respect of land and buildings and plant and machinery. The Group's future minimum operating lease payments are as follows:

Group	2018 £	2017 £
Within one year	**399,658**	251,440
Between one and five years	**1,471,752**	41,902
After five years	**1,553,375**	-
	3,424,785	293,342

There are no lease commitments within the Parent Company.

On 16 October 2017 the Group entered into a 10 year lease for a new London Office, through to 31 December 2027. The lease is rent free for the first year, at £365,500 for years two and three and £731,000 per annum for the remaining years.

25. Charge over assets

In providing the Group with banking, credit card and forward currency facilities, the Group's bankers HSBC plc hold:

- a fixed charge over all present freehold and leasehold property;
- a first charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and
- a first floating charge over all assets, both present and future.

26. Contingent asset

The Group has no contingent asset as at 30 September 2018.

In the prior year the Group had a contingent asset in relation to a legal claim regarding receivables outstanding from a customer. Management believed that it was likely that a material amount would be collected. The range of possible outcomes had led management to conclude that the contingent asset could not be estimated reliably and that any such disclosure would be seriously prejudicial to ongoing discussions. The Group had recognised an immaterial amount within revenue based on it being virtually certain.

27. Subsequent events

There have been no subsequent events requiring adjustment or disclosure within the financial statements.

28. Ultimate controlling party

In the opinion of the Directors, there was no ultimate controlling party at 30 September 2018 or 30 September 2017.

Notes

Notes

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