OXFORD METRICS PLC
ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 SEPTEMBER 2018

COMPANY NO 3998880

Contents

CHAIRMAN'S STATEMENT

Roger Parry

Group revenue from continuing operations grew 8.6% to £31.7m (FY17: £29.2m) in headline terms and 10.7% at constant currency. Adjusted PBT* from continuing operations rose to £5.2m (FY17: £3.9m). Revenue and Adjusted PBT* were both in line with market expectations. The company reports another year of strong cash generation with £12.2m in cash at year-end (FY17: £9.2m), after accounting for payment of the final FY17 dividend of £1.5m (FY16 Dividend: £1.2m) and receipt of the net consideration of £1.3m for the disposal of our legacy Surveying business.

In light of the strong cash performance we are pleased to propose a 25% increase in our final dividend to 1.50p per share (FY17: 1.20p) in line with our progressive dividend policy and aim of average Ordinary Dividend Cover of 2.0x earnings, as declared in our five-year plan. We continue to be a highly cash-generative business, and following a review of the Group's working capital needs, current M&A opportunities, current contractual obligations and the need to maintain a robust Balance Sheet to navigate economic uncertainties, the Board is pleased to propose the payment of a Special Dividend of 1.00p per share (FY17: Nil), which effectively returns the net proceeds from the disposal of Yotta Surveying.

STRATEGY PROGRESS

As we enter Year 3 of our current five-year plan to "amplify the core", the results confirm we are making good progress towards achieving our objectives. As a reminder, our strategy recognises the high quality of both of our subsidiaries and, given both have exciting markets, differentiated products and loyal customers, we aim to amplify their visible, material capabilities. In doing this, we committed to achieving two clear publicly-measurable metrics of doubling profits and tripling recurring revenues over the five-year period and we are pleased to report, two years in, we remain on track to deliver these key goals.

- Double profits: following a period of investment through FY17, Adjusted PBT* has now been restored to above FY16 pre-investment levels as promised; and

- Triple recurring revenues: Annual Recurring Revenue ('ARR') as of 30 September 2018 has increased 42% since the commencement of the five-year Strategic Plan, driven mainly by Horizons and Alloy. Along with growing interest in Vicon's Software-as-a-Service ('SaaS') offering, IMU Step, we remain confident that our goal will be achieved.

BOARD

Over the past 12 months there have been a number of changes to the Board. In February 2018 we announced the retirement of our founder, Dr Julian Morris, who has been involved in every step of growing the business from a fledgling start-up to a world-class software company serving thousands of customers across the globe. His insight and leadership over that time have been invaluable and we thank him for his deep contribution to the business and wish him well in his retirement.

Furthermore, in June 2018, we announced the addition of a new Non-Executive Director to the Board in David Quantrell, a highly qualified technology executive. David has more than 30 years of experience in senior management roles across the software sector, including international SaaS businesses. He has held senior positions at Clarify, Nortel, McAfee and HP and is already providing immediate, valuable input at both Vicon and Yotta. We look forward to drawing on David's insights to drive further progress across the Group.

Lastly, I want to thank the stakeholders in our business for all their contributions over the past year – our amazing staff in our offices worldwide, our shareholders for their continuing support, our partners and distributors in all the markets we serve and, most importantly, our ever-expanding number of valued customers, who will always be the very centre of our focus.

** Profit Before Tax before group recharges adjusted for share based payments, amortisation of intangibles arising on acquisition, fair value adjustments to IMeasureU consideration, impairment of Pimloc investment and exceptional costs. The statutory equivalents and reconciliation of the adjusted numbers shown in this statement are disclosed in notes 4 and 6.*

STRATEGIC REPORT
OPERATIONAL REVIEW

Nick Bolton, CEO

This was another year of achievement for Oxford Metrics, with our focused strategy and investment translating into strong growth and record revenues at Vicon, our highest level of recurring revenues at Yotta and clear operational progress at both companies. Two years into our five-year plan we are pleased to report we remain firmly on track to achieve it.

Furthermore, our markets and our understanding of them have developed over those years, especially at Vicon, where the business has delivered a 43% increase in revenues over the past three years. We believe something material is changing in Vicon's market, which offers the opportunity to bring forward returns by accelerating specific product and market development in the current year.

VICON

KPI	**Revenue**		**PBT**		**Adjusted PBT***	
	FY18	FY17	**FY18**	FY17	**FY18**	FY17
Vicon	**£24.4m**	£22.5m	**£5.5m**	£3.8m	**£7.3m**	£5.6m

2017/18 was an outstanding year for Vicon. The business achieved record revenues, improved Product Gross Margin to 73.4% (FY17: 73.2%) and a record Adjusted PBT well ahead of our expectations. Indeed this excellent result at Vicon means we are essentially a year ahead of our internal plans for this business – a lead we intend to preserve by bringing forward some planned investment.

It has also been a year of strategic development. Our strategy for Vicon, as outlined in our five-year plan, remains unchanged - to make targeted investments to maintain our market-leading position and extend our capability into new markets. Pleasingly, we are now seeing a noticeable increase in movement measurement applications from a broader variety of markets than ever before.

Motion measurement in the Augmented Age

We believe this demand is being driven by the arrival of the Augmented Age, where our lives are becoming increasingly enhanced and augmented through digital interfaces (smartphones, robots, autonomous vehicles and virtual reality). In this new Age, we require these interfaces and machines to understand human movement as well as humans do. Of course, Vicon has been doing this since 1984 and now holds a high degree of proprietary software IP relating to this. What has changed over the past three years is that human movement tracking is entering the mainstream - our smartphones can track head movement and our watches can measure body movement. We are seeing this need for human movement tracking emerging in a wide variety of sectors and we are well positioned to exploit these opportunities.

In order to do this, we are focussing the business on two important growth vectors: our Established Markets and new Adjacent Vertical markets.

Established Markets – making the strong even stronger

Vicon has long been the innovator in optical motion measurement, and over the past year, we delivered more customer solutions than ever before. We have achieved this success by expanding our addressable market and the appeal of our solutions through the addition of inertial and active optical capabilities. Our inertial sensors enable us to measure movement anywhere and for long periods of time, and our active optical capability increases the flexibility of our solutions.

Our strategy of broadening the appeal of our products and differentiation in our markets through targeted investment in product including integration of inertial technology is clearly delivering, and, given the expanded interest in human movement measurement, we plan to bring forward our planned product investment. This means investing an additional £0.7m in FY19 into this Established Markets business in order to accelerate our opportunity and deliver new products that we anticipate will be on sale in FY20.

Adjacent Verticals – driving technology leadership into new growth opportunities

Our Adjacent Vertical markets represent new markets for Vicon, where we have seen early collective interest in our solutions from pioneer customers. In FY18, these new Adjacent Verticals already made up 3.5% of revenues. Such markets offer a meaningful expansion of our addressable market and equally are of an appropriate size and structure that we are able to address them. We are currently pursuing two such vertical markets in Location-based Virtual Reality ('LBVR') and Elite Sports – both of which have seen strong progress in FY18. As a result, we plan to bring forward our plans and invest a further £0.8m to build out our commercial capability in these growing markets.

Location-based Virtual Reality

2018 saw an explosion in Vicon's work in LBVR - an emerging form of entertainment where participants share collective VR experiences in a specific location, such as a shopping mall, cinema or museum. In these experiences, users are free to walk within a virtual world and interact with each other, whether that be enacting a scene from a movie franchise, wandering the surface of Mars or playing a truly interactive video game with friends. In order to deliver such compelling experiences, the users and the objects they interact with have to be accurately tracked in real-time with very low latency. This is where Vicon excels.

In August 2018, we launched Vicon Origin, a specific solution for LBVR, to further extend our product differentiation in this growing marketplace. The Origin solution consists of a new suite of products built to serve current and future demands of the LBVR market.

During the year we established key customer relationships across the world, including Bandai Namco in Japan, Dreamscape Immersive in the US and VR Arcade in the Netherlands. This market is developing quickly and we look forward to updating the market as Vicon-powered solutions are rolled out globally.

Elite Sports

We also made good progress in our Elite Sports vertical market during the year. In this market, our customers use our software to better understand the athlete in training, especially when they are recovering from injury. Principally this is through our IMU Step software, which is provided on a Software as a Service ('SaaS') basis, with customers committing typically to a three-year contract.

The software enables coaches to gain an objective measure of the load an athlete endures in their lower limbs during training. It is a unique solution which is biomechanically-verified and is proving a powerful tool for our first customers, including the Hospital for Special Surgery, University of Memphis and New South Wales Institute of Sport (NSWIS).

Other Verticals

We continue to monitor and develop other adjacent vertical market opportunities and where we see exciting, addressable markets where we can offer differentiated solutions, we will look to add further vertical growth through both organic and inorganic developments. Furthermore, where possible, we will aim to pursue these vertical markets on a SaaS-basis to improve the visibility of our revenues and profits.

YOTTA

KPI	**Revenue**		**PBT**		**Adjusted PBT***	
	FY18	FY17	**FY18**	FY17	**FY18**	FY17
Yotta	**£7.3m**	£6.6m	**(£1.0m)**	(£0.4m)	**£0.4m**	£0.7m

2017/18 was a year of mixed fortunes for Yotta – on the one hand our more mature UK business strode forward, achieving ARR growth as expected, a 6% increase in Consulting revenues and successful disposal of our legacy UK Surveying business in June 2018. On the other hand, our newer International business grew more slowly than planned, despite some good customer wins. This led to a divisional result that was slightly behind our expectations. Internationally, we have now taken steps to focus on our Indirect and OEM channels, where we have seen success, and have reduced investment in direct international operations. These changes will yield a net cost saving of around £0.4m per year.

ARR grew 16.5% to £5.7m (FY17: £4.9m), a solid performance, but slightly behind where we would like it to be. Despite this, we continue to make progress in important areas. Firstly, Yotta reported a high rate of customer retention at 95.3% (FY17: 98.8%) thus providing the business with a predictable high-quality revenue stream. Secondly, the value of ARR at Yotta already covers the entire payroll cost of the business as at 30th September 2018 and 74% measured against all current operating costs on an annualised basis. During FY19, ARR is expected to cover all operating costs.

Our strategy to drive growth within Yotta's three important vectors continues and we have seen progress in all these over the past 12 months:

Direct

ARR from our direct operations grew during the year with wins including Glasgow, Cambridgeshire and at Auckland Motorways in New Zealand. The enterprise system deal at Glasgow was of particular note because of its size and the breadth of its application, which includes Environmental Services, Highways and Street Lighting. We also saw direct Alloy deployments go live during the year including at Stockton and Poole.

Our direct consulting team delivered a number of important customer projects during the year including one for Amey Sheffield, where we created a bespoke model within Horizons for their PFI contract, and at Townsville, Australia, where we were engaged in a water mains modelling project to deliver deterioration models and works plans for the replacement of aging water mains in the city.

Indirect

Our indirect business recorded a number of notable wins during the year, including deals in Colombia at Itineris and Abertis Bitumix, in Germany at VIA IMC and at Volker and Dura Vermeer in the Netherlands. We now have a total of 28 international customers, up from 14 at the end of last financial year.

OEM

During the year we signed two OEM partners: Pavement Management Services ('PMS') in Australia and Tvilight in the Netherlands. As previously announced, Tvilight is a Smart City solution provider focused on the European market, whose new CityManager platform is now powered by Alloy. PMS are a solutions provider in the Australian Highways market, who now offer Horizons to enable their customers to optimise their strategic asset planning. PMS successfully secured and implemented the win at Townsville.

We continue to explore further OEM relationships, especially those that can give us access to otherwise unaddressed vertical markets, such as water and energy.

Product progress

Alloy and Horizons continue to be heralded by the marketplace and we continue to broaden its appeal and its applicability. During this first year of its commercial life, Alloy received a number of upgrades, which were all aimed at expanding both the UK and international appeal of the product.

These improvements included the addition of the Green Spaces module, Data Explorer and Export and also Mesh Integrations, which enable Alloy to monitor and control third-party equipment or assets directly from within our software. This included integrating the location of service vehicles in the London Borough of Newham through Exactrak and even the automatic remote watering of a living wall of plants in bus shelters in Australia.

Looking ahead to the first half of FY19, the next major Alloy release will include an Environmental Services capability that will bring a state-of-the-art software solution to this segment of the local government marketplace, which, given the increasing focus on recycling, is expected to enhance ARR growth.

CURRENT TRADING AND OUTLOOK

We remain firmly on track with the targets set out in our five-year plan. Both businesses have started the new financial year well. The Vicon sales pipeline for Quarter 1 is 42% higher than the same time last year, Yotta has a sales pipeline opportunity for the full year 50% higher than the same time last year.

We operate two market-leading businesses in growing global markets with highly differentiated software products and clear strategies to continue to drive growth. Our continued strategic investment will support our organic growth initiatives, but we will also continue to explore acquisition opportunities which can accelerate our strategies within our chosen markets.

We are an international business with staff and customers around the world. We are a net exporter from the UK and given the nature of our solutions are largely software, we do not anticipate any negative impact to our business from the eventual outcome of Brexit. These factors and an ever-strengthening pipeline lead us to conclude the year ahead shows every sign of being yet another exciting year for Oxford Metrics.

FINANCIAL REVIEW

David Deacon, CFO

INCOME STATEMENT

The Group reported revenues of £31.7m (FY17: £29.2m) representing a headline improvement of 8.6%. With a third of the Group's revenues derived from the USA this performance was affected by a foreign exchange headwind, where the average rate for the year was $1.35 (FY17: $1.27). Taking account of this £0.6m effect the underlying revenue growth was 10.7%. From an Adjusted PBT* perspective the impact was £0.2m as the Group remains naturally hedged to some extent, given we have USA operations and purchase certain components in US Dollars.

The disposal of Yotta Surveying was finally completed during the year resulting in a loss on disposal net of tax of £0.5m (FY17: £1.8m).

Gross Profit margins improved to 72.4% (FY17: 70.5%), reflecting a greater proportion of software-related income, and improved in real terms year-on-year by £2.3m to £22.9m.

Reviewing the cost base within the Income Statement:

- Sales, Support and Marketing costs increased due to the annualised effect of investments in Yotta related to the Five-year Strategic Plan, together with further investments in both Vicon and Yotta during the current year.
- Research & Development expensed through the Income Statement increased slightly to £3.3m (FY17: £3.1m) being the annualised effect of investments in Yotta to support the Five-year Strategic Plan in the previous year. Total R&D investment including capitalised development costs of £2.1m (FY17: £1.8m) increased reflecting additional product development within Vicon to £5.4m (FY17: £4.9m).
- The Administration charge has risen year-on-year by £0.3m. Increased costs included amortisation for acquired intangibles, property-related costs, IT costs and adverse FX movements. These costs were mitigated to some extent by £0.4m credit relating to an adjustment to fair value of deferred consideration payable for the IMeasureU acquisition.

Adjusted PBT* for continuing operations of £5.2m (FY17: £3.9m) has been determined after adding back non-cash moving items such as Amortisation of Acquired Intangibles, Share Option charge, impairment of investment in Pimloc and Exceptional Items, which in this year includes an adjustment to fair value of deferred consideration payable for IMeasureU Limited.

STATEMENT OF FINANCIAL POSITION

Goodwill and Intangibles

The movement in Goodwill and Intangibles arises due to capitalisation of R&D of £2.1m (FY17: £1.8m), amortisation of development costs £1.2m (FY17: £1.3m) and the amortisation of acquired intangibles of £0.6m (FY17: £0.5m).

Property, Plant and Equipment

The increase in Property, Plant and Equipment relates primarily to the relocation of Vicon UK to new premises near Oxford which offer much improved customer-facing and manufacturing facilities. The addition in this Financial Year relates to the completion of this relocation.

Investments

The year-on-year movement relates to the impairment of investment in Pimloc Limited. The carrying value has been reduced by our share of post-acquisition losses from Pimloc's trading. The net effect accounts for the movement year-on-year.

Inventories

The inventory position at the end of the financial year was £2.4m (FY17: £3.3m). The movement is largely accounted for by a very strong September close for Vicon and a slightly higher Inventory last year pending the relocation of Vicon manufacturing to a new facility in October 2017.

Trade and other receivables

At the year-end Accounts Receivable and other receivables increased to £10.6m (FY17: 10.0m). The overall increase primarily related to accrued income in Yotta from longer term consultancy contracts.

Current Liabilities

The year on year decrease in Trade and Other Payables is accounted for by a reduction in Trade Payables for continuing operations at the year-end of £1.6m (FY17: £2.4m) arising from payment of earlier inventory replenishment in anticipation of higher September shipments in Vicon.

Non-current Liabilities

The year-on-year movement is accounted for by a reduction in the Contingent Consideration payable in relation to the acquisition of IMeasureU Limited of £0.3m (FY17: £0.7m).

STATEMENT OF CASHFLOWS

The Group finished the year with cash of £12.2m (FY17: £9.2m) after receipt of the net consideration of £1.3m for the disposal of our legacy Surveying business. Cash generated from operating activities was £6.7m (FY17: £5.6m). The deployment of this cash included the 2017 Final Dividend payment of £1.5m (FY17: £1.2m).

TAX

The Group tax charge this year was £0.6m (FY17: £0.5m) representing a blended rate of 12.1% (FY17: 14.5%) This increase is largely due trading performance which has been partly mitigated by lower US marginal rate of tax 25% (FY17: 38%). The level of Group R&D activities in the UK, where the marginal rate of tax of 17% (FY17: 17%), continues to have beneficial effect on the level of corporation tax payable in the UK given the reliefs available.

The Deferred Tax Asset reduced to £0.2m (FY17: £0.4m) whilst the Deferred Tax Liability increase slightly to £1.8m (FY17: £1.6m).

KEY PERFORMANCE INDICATORS

The Group relies on financial key performance indicators including revenue, profit before tax and adjusted profit before tax (see note 6) to measure the performance of the Group described below. The Group does not use non-financial key performance indicators to measure performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Group monitors these risks on a continual basis through the use of a Risk Register and through market intelligence provided by operational management and determines mitigation plans and actions accordingly. During the financial year under review the risk profile of the Group has not changed significantly. The key business risks affecting the Group's ability to deliver on its strategic objectives are set out below:

Product and technology risk

The Group operates in a complex and competitive technological environment. The business requires continual investment and innovation in its products and services to maintain its competitive position. In order to mitigate this risk the business has invested in product marketing with the objective of focusing research and development with specific measurable aims and goals to meet market needs. The business coordinates each development project with Board monitoring and project management principles in order to mitigate the length of time that products take to enter the market.

Suppliers

The Group sources certain product components which are only available from a small number of specialist suppliers. Disruption to the supply chain could have an adverse effect on the business. Where possible, such risks are mitigated by ensuring ownership of design and intellectual property and maintaining appropriate inventory levels.

Employee Retention

The Group's performance depends largely on its skilled staff. The loss of key individuals and the inability to recruit individuals with the right experience and skills could adversely impact the Group's results. To mitigate these matters, the Group aims to put in place appropriate management structures and provide competitive remuneration, including share options and where possible provide continuing career development for key personnel.

Market

The Group operates in multiple geographical markets so there is a risk that territory and global macro-economic conditions may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. However, by virtue of selling in multiple geographical markets the impact of localised economic downturn in one or a number of markets is minimised.

The Group operates in multiple service and product segments with specific risks and uncertainties including:

- Vicon Group

  Vicon operates in three distinct areas described below. In mitigation of the risks identified Vicon operates in multiple geographies, through well-established distributors, who provide insight into local markets and an effective defence against competitive activity. Furthermore, Vicon has a well-established and respected brand and through continual innovation maintains a competitive advantage over the competition.

  Life Sciences – Our customers are primarily Medical and Educational Institutions funded largely, but not exclusively, by Government which are subject to National budgetary decisions although in many markets these areas of spend are protected to some extent.

  Engineering – The majority of our customers are largely commercial organisations whose investment decisions are determined by general macro-economic conditions in their markets so revenues can be affected accordingly. The remaining customers tend to be higher education research establishments whose funding is ultimately controlled by National Budgetary decisions.

  Entertainment – Our customers are commercial organisations who produce content for the Film, TV and Video Game market place. Spending in this market tends to be erratic and ultimately driven by consumer demand for content which by virtue of this market place cannot always be guaranteed.

- Yotta Group

  Infrastructure (including Highways, Street works and Street lighting) – The majority of our customers are ultimately funded by the UK Government so spending is subject to National Budgetary decisions and priorities. In mitigation, the business secures long-term service contracts and recurring annual support contracts whenever possible.

Financial

The business has outlined its principal financial risks in note 18 to the accounts. These are broadly summarised as foreign currency and credit risks. Typically, a third of the Group's revenues are generated from its US subsidiaries in US dollars, together with some overseas territories which purchase in US dollars and Euros. Changes in exchange rate could have an adverse effect on revenues and profitability of the Group. Where possible the Group aims to mitigate this by making purchases and engaging personnel in local markets.

Non-Financial

The business continually assesses its exposure to non-financial risks. These are broadly summarised as competition, reputation and product related risks. The Board is cognisant of this information when determining business strategy.

Brexit

Since the decision by the UK to leave the European Union the depreciation of Sterling has had an impact on the cost of goods imported. In order to mitigate this risk the supply chain is being actively managed. It is uncertain whether tariffs will be applied to goods exported from the UK into the European Union and the Board are developing plans to minimise any potential impact.

SUMMARY

In summary, Oxford Metrics enters the new financial year with a robust Balance Sheet including a strong cash position and no debt.

On behalf of the Board

Nick Bolton
Chief Executive and Director
3 December 2018

** Profit Before Tax before group recharges adjusted for share based payments, amortisation of intangibles arising on acquisition, fair value adjustments to IMeasureU consideration, impairment of Pimloc investment and exceptional costs. The statutory equivalents and reconciliation of the adjusted numbers shown in this statement are disclosed in notes 4 and 6.*

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated and parent Company financial statements for the year ended 30 September 2018.

Business review

Oxford Metrics plc is a holding Company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 8. Its subsidiary undertakings are shown in note 14. The Strategic Report includes details of the market overview; key growth drivers; our business model; strategic objectives; principal risks and uncertainties; key performance indicators and a summary of 2017/18 performance.

Likely future developments

The Group's likely future developments are discussed within the Strategic Report on page 3.

Share capital

The Company has one class of ordinary shares which carry no right to a fixed income. Full details of changes in share capital during the year are shown in note 22 to the financial statements. Details of employee share options are set out in note 23.

Dividends

The directors have announced a special dividend of 1.00 pence per share which will absorb an estimated £1,249,000 of shareholders' funds. This dividend will be paid on 25 January 2019 to shareholders on the register of members at close of business on 14 December 2018.

The directors are proposing a final dividend in respect of the financial year ended 30 September 2018 of 1.50 pence per share which will absorb an estimated £1,874,000 of shareholders' funds. This dividend, if approved, will be paid on 7 March 2019 to shareholders on the register of members at close of business on 14 December 2018.

Research and development

During the year, the Group's continuing operations expensed £3,336,000 (2017: £3,144,000) and discontinued operations expensed £69,000 (2017: £218,000) in research costs. In addition, £2,125,000 (2017: £1,822,000) of development costs were capitalised.

Research and development costs are principally the costs of employees involved in research and development, together with related equipment and materials for hardware development and external costs. Further information regarding the nature and value to the Group of this expenditure is explained in the Strategic Report.

Directors and their interests

The interests of the directors in the shares of the Company and their interest in options over the shares of the Company at 30 September 2018 are disclosed in the Report on Directors' Remuneration.

The directors who served during the year were as follows:

Roger Parry
Jonathon Reeve
Adrian Carey
David Quantrell (appointed 21 June 2018)
Julian Morris (resigned 22 February 2018)
Nick Bolton
David Deacon
Catherine Robertson

At the Annual General Meeting of the Company, David Quantrell, Adrian Carey and Jonathon Reeve representing one third of the Board, will retire and, being eligible, offer themselves for re-election.

Financial instruments

Information about the Group's management of financial risk can be found in note 18 of the financial statements.

Directors' indemnity insurance

The directors confirm that qualifying third party indemnity provisions are held.

Employees

The Group ensures that all employees are kept informed, as far as is practical, with regard to the activities of the Group. This is achieved through the use of staff briefings and electronic communications. It is the Group's aim that recruitment and development of staff should be determined solely on ability and other relevant requirements of the job. Disabled persons and those who become disabled are given the same consideration as others and, depending on their skills, will enjoy the same prospects as other staff.

The Group considers all forms of discrimination to be unacceptable in the workplace and is committed to promoting equality of opportunity for all staff and job applicants. This includes in job advertisements, recruitment and selection, training and development, opportunities for promotion, conditions of service, pay and benefits, conduct at work, disciplinary and grievance procedures, and termination of employment.

The Group's policies on Health & Safety are continually under review, ensuring that current practices comply with the laws applicable in the countries in which it operates.

Going concern

After making relevant enquiries, reviewing the cash flow forecasts for the two year period from the 30 September 2018 and considering the Group's risk profile, the directors consider the Group to have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement on disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware. Relevant information is defined as "information needed by the Group's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO LLP offer themselves for reappointment as auditors and a resolution will be proposed at the AGM to approve the auditors reappointment.

On behalf of the Board

David Deacon
Director
3 December 2018

CORPORATE GOVERNANCE REPORT

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. During the year the Group formally adopted the Quoted Companies Alliance Corporate Governance Code (the QCA Code). The QCA Code aims to apply the key elements of the UK Corporate Governance Code and other relevant governance guidance to the needs of small and medium-sized listed PLCs. Details of how we apply the Code and ensure good governance over the business is now available for all stakeholders to review and understand on our corporate website at oxfordmetrics.com/code. An extract is provided below.

Establish a strategy and business model which promotes long-term value for shareholders

Our strategy and current five-year plan were launched in December 2016 and set out in the company's Annual Report and Accounts. Subsequent Annual Report and Accounts update shareholders as to how the strategy and plans are progressing. Specifically, the Strategic Report section of the Annual Report and Accounts covers our business model, our strategy and how we aim to drive long-term value for shareholders.

Embed effective risk management, considering both opportunities and threats throughout the organisation

Internal Audits

The Company has an internal audit function and conducts system audits periodically which include;

- ISO9001:2015 Quality Management Systems Vicon Denver – Annually,
- ISO9001:2015 Quality Management Systems Vicon Yarnton – 5 times per year,
- ISO13485:2016 Medical Quality Management Systems Vicon Yarnton – 5 times per year,
- 93/42/EEC as amended Medical Devices Directive Production Quality Vicon Yarnton,
- ISO9001:2015 Quality Management Systems Yotta – 4 times per year,
- ISO14001:2015 Environmental Management Systems Yotta – 4 times per year,
- ISO27001:2013 Information Security Management Systems Yotta – 4 times per year,
- Information Asset Penetration Testing - Internal 12 days per year and external 7 days per year,
- RAPID7 and Business Continuity Exercises.

Risk management and risk register

The Board has embedded an effective risk management framework to identify, evaluate and manage opportunities and risks, in order to execute the strategy and five-year business plan. The principal risks and uncertainties are discussed in the Strategic Report on page 7. The Company's risk register is compiled annually, by non-executive Director, Jonathon Reeve, with input from senior members of staff from across the Company and presented to the Board to inform its strategy review, and to enable the Board to identify, manage, and mitigate risks.

Maintain the board as a well-functioning, balanced team led by the Chair

There are three executive, and four non-executive Board members. All non-executive Board members are considered independent with the exception of Jonathon Reeve who has served on the Board for a period of twelve years and therefore we do not consider him to be independent. The Board operates formally through meetings of the full Board, and informally through regular contact between Directors. Matters reserved for the Board include strategy, review and approval of budgets and forecasts, financial performance and reporting, dividends, risk management, major capital expenditure, and M&A.

The Board is kept informed outside its formal meetings by monthly reports from the Chief Executive that include information on the Company's financial and operational performance. Board agenda and information relating to the agenda are sent to Board members before all formal Board meetings. Board minutes are circulated to all members within 7 days of each Board meeting.

The Remuneration Committee members are Jonathon Reeve (Chair) and Adrian Carey who meet formally on at least two occasions annually. No director has been absent from a committee meeting. The terms of reference of the Remuneration Committee is available on page 15 of the Company's Admission Document.

The Audit Committee members are Adrian Carey and David Quantrell, who meet formally at least two occasions annually. No director has been absent from a committee meeting. The terms of reference of the Audit Committee is available on page 15 of the Company's Admission Document.

The Board acts as a whole as the Nominations Committee and meets when a new director needs to be appointed. Appointments to the Board are made by consultation with, and the agreement of, the whole Board. Suitable candidates are sought through external senior recruitment consultants.

The Board meets formally six times a year. No director has been absent from a Board meeting during the 12 months from 1st October 2017 to 30th September 2018 months except for Catherine Robertson who was given permission by the Chair to absent herself from a Board meeting in order to attend to urgent company business.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties, at a minimum, 15 days per year or more if serving on a committee. Executive directors are full-time employees and expected to devote as much time as is necessary for the proper performance of their duties, there is no specific time commitment.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Directors' biographies are summarised below and are available on the corporate website.

Roger Parry – Chairman

Roger joined the board in June 2016 with an extensive career in the media sector. Currently Chairman of YouGov plc, Mobile Streams plc plus a number of private companies. He has held a variety of Chairman roles including Johnston Press plc, Future plc and Shakespeare's Globe. Previously he was CEO of Clear Channel International and More Group plc and spent three years with McKinsey, the international consulting firm and prior to that was a TV and radio journalist with the BBC and ITV.

Adrian Carey – Non-executive Director

Adrian joined the board in November 2012 with almost 30 years of boardroom experience in technology, legal and educational service sectors. He has been Chairman and Non-executive director to a number of listed, PE and venture backed businesses. He is currently Non-executive director of Blacktrace Holdings Ltd, BC Arch Ltd and Chairman of the charity OXPIP. In his earlier career he held a number of other NED positions and was CEO for three companies over 17 years.

David Quantrell – Non-executive Director

David joined the Board in June 2018 with more than 30 years of senior management experience across a range of high growth global software businesses including HP, Mercury Interactive and McAfee. Most recently he was Senior Vice President and a member of the Global Management Team at Box, the cloud storage company, where he helped to establish the brand in Europe in a period where the Company experienced dramatic growth and a successful IPO.

Jonathon Reeve – Non-executive Director

Jonathon joined the Board in 2006. A professional engineer with more than 35 years' experience in the Royal Navy where he served on the Navy Board and subsequently as a consultant engineer to a wide range of companies, both large and small. He brings particular experience in the management of change and risk, key elements of Board focus in a rapidly changing technology company.

Nick Bolton – CEO

Nick joined Oxford Metrics Ltd (pre-IPO OMG) in 1995 and spent four years establishing the company's motion capture products in the entertainment market. In 1999, he left to pursue a series of successful product management and marketing roles within international technology businesses, including Micromuse and start-up Lexicle. In 2002, he joined AIM-listed Mediasurface, with responsibility for all the company's marketing activities and in 2005, returned to join the Oxford Metrics management team.

David Deacon – CFO

David joined Oxford Metrics in 2008 as Chief Financial Officer. Before joining he was CFO of AIM listed Mediasurface for five years where he successfully floated the business in 2004 and concluded the disposal of the business in 2008 to Alterian plc. Prior to this he held senior financial positions with R.L Polk & Co, Wonderware Inc. and Kalamazoo Computer Group plc.

Cathy Robertson – Executive Director and Company Secretary

Cathy joined Oxford Metrics in 1985 and was Financial Controller for 10 years. She has over 30 years' experience in law, finance, and administration. Prior to joining the Group she began her career with the UK subsidiary of a US company, working with the founders to establish a thriving electronics business.

Directors are able at the Company's expense to seek independent professional advice and training as required to support their role either as a member of a Board committee or for any matter within the terms of reference of the Board. A list of the Company's external advisors is available on page 64.

The Audit Committee works with the company's auditor BDO. The Company Secretary is supported by N+1 Singer, (NOMAD), and Goodman Derrick LLP. The Remuneration Committee is supported by PwC on matters falling under its terms of reference, and the Company Secretary. The Company Secretary advises the Board on a range of regulatory and compliance matters.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

An overview of Directors' responsibilities can be found within the Report of the Directors' on page 10.

The Chief Executive's objectives are set by the Chair and the Remuneration Committee in consultation with other non-executive Board members, and the objectives of the executive directors are set by the Chair and the Remuneration Committee in consultation with the Chief Executive. The Board has an annual effectiveness review cycle consisting of reviews of the performance of executive members of the Board by the Non-executive Board members, and a review of the Chairman's performance by all other non-executive and executive directors.

The Board reviews its performance against its objectives to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls, set the Company's strategic aims and ensure the necessary resources are in place to meet these aims, to provide effective leadership to ensure the Company's values and standards are upheld, and to fulfil its obligations to shareholders and stakeholders.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties, at a minimum, 15 days per year or more if serving on a committee. This will include attendance at a minimum of six Board meetings, the AGM, at least one annual Board away day a year, at least one site visit a year, meetings of the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. All the executive directors are full time employees of the company.

The Board keeps the issue of Board effectiveness under continual review and will continue to consider best practice in matters relating to Board effectiveness, consistent with the size, range of activities, and stage of development of the Company. Succession plans for all members of the company's Board and senior managerial roles across the Company are in place and are regularly reviewed.

Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to promoting a socially responsible culture throughout the Company and encouraging high ethical standards in all its activities. The Company's culture is communicated to the employees through engagement, and employees are expected to exercise high ethical and moral standards at all times in their dealings with the Company's stakeholders. The Company has an anti-bribery policy and is committed to the elimination of modern slavery and human trafficking in its supply chain.

The Company's recruitment and employment policies are under continual review in order to maintain high ethical standards and best practice, and to provide a working environment in which its employees are able to realise their potential and contribute to the business. Applications are given full and fair consideration irrespective of nationality, ethnic origin, religion, disability, sexual orientation, age, marital or civil partnership status or gender identity. The Company is committed to providing for the health and safety of its employees and visitors to its premises through use of best practice and regular audits of the Company's Health and Safety policy and practices by external consultants.

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company holds an Annual General Meeting annually in February. Agendas for General Meetings for the last 5 financial years are available on the corporate website. There have been no resolutions put to a general meeting that have resulted in less than 80% of the votes cast in favour of the resolution in the last 5 years. The Company's historic annual reports are available here.

The Board consider that information available in these and previous Financial Statements together with the corporate website provide sufficient information with regard to the reporting of the Audit Committee and Remuneration Committee activity. The Board will continue to review the disclosure of the Audit and Remuneration Committee.

As well as the Company's general meeting with shareholders, the Chief Executive and Chief Financial Officer give formal presentations to significant shareholders twice each year and have primary responsibility for communicating the views of these shareholders to the Board.

The Board does not currently recognise any constraints or circumstances that affect the Company uniquely.

REPORT ON DIRECTORS' REMUNERATION

The Directors' Remuneration Report Regulations are not a requirement for AIM listed companies. However, set out below are certain disclosures relating to directors' remuneration.

Remuneration Committee

The Remuneration Committee is made up of two non-executive directors. The terms of reference of the Committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

Service agreements

No director has a service agreement with a notice period that exceeds 12 months.

Policy on directors' remuneration

The remuneration is set by comparison to market rates at levels to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business.

Directors' remuneration

The remuneration of directors who served during the year, excluding share based payments, was as follows:

	Salary £'000	Bonus £'000	Benefits in kind £'000	Gains on the exercise of share options £'000	**2018 Total £'000**	**2018 Pension contributions £'000**	2017 Total £'000	2017 Pension contributions £'000
R Parry (Chairman)	65	-	-	-	**65**	**-**	66	-
J Reeve (Non Executive Director)	34	-	-	-	**34**	**-**	33	-
A Carey (Non Executive Director)	34	-	-	-	**34**	**-**	33	-
D Quantrell (Non Executive Director)	9	-	-	-	**9**	**-**	-	-
J Morris (Non Executive Director)	14	-	3	-	**17**	**-**	35	1
N Bolton (Chief Executive Officer)	261	123	1	740	**1,125**	**-**	382	-
C Robertson (Secretary and Executive Director)	125	29	1	-	**155**	**17**	152	16
D Deacon (Chief Finance Officer)	197	74	1	370	**642**	**-**	266	-
	739	226	6	1,110	**2,081**	**17**	967	17

Directors' share options

Interests in share options for directors who served during the year were as follows:

	Exercise price	**At 30 September 2018 Number**	At 1 October 2017 Number	Exercise period
A Carey	31.18p	**77,194**	77,194	September 2015 to September 2023
C Robertson	59.06p	**400,000**	400,000	September 2019 to July 2027
N Bolton	0.25p	**-**	1,208,500	September 2015 to September 2022
N Bolton	0.00p	**1,200,000**	1,200,000	December 2019 to December 2026
D Deacon	0.25p	**-**	604,250	September 2015 to September 2022
D Deacon	0.00p	**600,000**	600,000	December 2019 to December 2026
		2,277,194	4,089,944	

The vesting of options, other than the long term incentive plans (LTIPs) described below, takes place proportionally over time which is typically a period of three years. The vesting of options is not subject to any performance criteria, other than remaining in employment.

During the prior year a new LTIP was implemented with an exercise price of 0.00p. These share options will vest in a quantity subject to the achievement of certain performance targets based on total shareholder returns over a period of 36 consecutive months which commenced on 1 January 2016. This 36 month performance period ends on 31 December 2018 and it is considered likely, given the information available to date, that these options will vest in full.

The average share price for the year was 69.16 pence (2017: 51.29 pence) and the closing share price was 76.70 pence (2017: 58.75 pence).

Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of Oxford Metrics plc at 30 September 2018 and at 1 October 2017 according to the register of directors' interests.

	Ordinary shares of 0.25p		**Percentage of issued share capital**	
	2018 Number	2017 Number	**2018 %**	2017 %
R Parry	**194,093**	153,770	**0.16**	0.12
J Reeve	**36,288**	36,288	**0.03**	0.03
A Carey	**200,774**	200,721	**0.16**	0.16
C Robertson	**1,439,201**	1,439,201	**1.15**	1.17
N Bolton	**2,383,565**	1,791,246	**1.91**	1.46
D Deacon	**1,146,821**	850,661	**0.92**	0.69

By order of the Remuneration Committee

Jonathon Reeve
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD METRICS PLC

Opinion

We have audited the financial statements of Oxford Metrics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income , Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cashflows, Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the 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 30 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.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which 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.

We set out below the risks that had the greatest impact on our audit strategy and scope:

Revenue recognition

Risk	***Response***
The group's revenue recognition policies are included with the accounting policies on pages 30 and 31 and the components of revenue are set out in notes 3 and 4. The group's revenue is a key performance indicator for the market upon which the results of the group will be assessed. The group primarily generated revenue from continuing activities from two main operating businesses: – Vicon – which sells motion capture camera systems and related hardware, software and support; and, – Yotta – focussed on the sale of software and associated services. These are sold on a SAAS and perpetual license and maintenance basis. Management exercises judgement in recognising revenue as set out in note 3(e) to the financial statements, including the extent of deferral of income relating to ongoing support and maintenance obligations in Vicon. In view of the judgements involved we considered that these matters gave rise to a significant risk of misstatement in the financial statements. Significant risks over revenue recognition include: – Incorrect calculation and appropriate judgement in the estimation of support revenues to be deferred; and – Completeness of revenue and ensuring that revenue is recorded in the accounting system in the correct period.	We reviewed the revenue recognition policies applied to each of the group's revenue streams and considered their compliance with IAS18 'Revenue'. We tested a sample of revenue transactions for each material income stream to determine correct valuation and check the completeness of revenue and that it was accurately recorded within the accounting system in the correct accounting period. We tested deferred revenue by re-performing calculations for a sample of deferred balances. We reviewed management's assessment of support cost deferrals, including expected future costs, analysis of historic costs and data and assessed whether assumptions made are appropriate. Based on the results of our work we concurred with management's application of the group's revenue recognition policies.

Development expenditure capitalisation and carrying value

Risk

The group incurs substantial development costs of which certain amounts are capitalised as intangible assets. Development costs of £2,124k (2017: £1,822k) were capitalised in the year across various key projects.

Capitalised development expenditure is amortised over a period of 2 to 7 years, which is based on the expected lifecycle of the product developed. At 30 September 2018 the group's carrying value of development costs is £5,723k (2017: £4,775k).

Development costs are a significant expense and asset of the group. Manipulation of those costs capitalised could have a material impact on the profit performance of the group in the current year and going forward.

The group's policy is included with the accounting policies on page 31 and the significant judgements are set out in note 3.

Management exercises judgement in consideration of individual projects, including the expected future economic benefits, the allocation of resources and the period over which they anticipate return.

In view of the judgements involved we considered that these matters gave rise to a significant risk of misstatement in the financial statements.

Risks over existence, accuracy and valuation of capitalised development costs include:

– Overstatement of the balance as a result of including expenditure amounts which do not meet the criteria for capitalisation under IFRSs;

– Existence of costs captured within the timecard system and subsequently capitalised;

– Projects no longer meeting the criteria for capitalisation and the potential for impairment; and,

– Inaccurate periods for useful economic life leading to errors in the amortisation charge.

Response

We reviewed the policies and procedures regarding research and development expenditure and considered their compliance with the requirements of IFRSs.

For each significant development project, we:

– tested a sample of expenditure to third party documentation and timecard records;

– reviewed management's assessment by project and challenged their assumptions at the balance sheet date through discussion with management and comparison to other corroborating evidence; and,

– evaluated management's use of updated sales forecasts by project, in consideration of useful economic life.

We also reviewed management's impairment considerations by development project where necessary, which included assessment of the reasonableness of key assumptions.

Based on the results of our work we concurred with management's accounting for the capitalisation and assessment of carrying values of development expenditure and that it was in accordance with the accounting standards.

Carrying value of goodwill and other recognised intangibles

Risk

The group's accounting policy for intangible assets is included within the accounting policies on page 31 and the significant judgements are set out in note 3. The components of intangible assets are set out in note 11.

Acquisitions have given rise to significant intangible asset balances. At 30 September 2018 the group's goodwill and other recognised intangible assets comprise £3,623k (2017: £3,611k) of goodwill, £2,139k (2017: £2,490k) of intellectual property and £876k (2017: £1,193k) of customer contracts and related relationships.

In accordance with IFRSs, at the end of the reporting period, management have assessed whether there is any indication that the above assets may be impaired.

Significant judgement is exercised when determining the variables and assumptions used to calculate the values in use of cash generating units ("CGU's"), which were used to determine whether there is any impairment of goodwill and intangible assets (IP and customer relationships).

Given the results for the first full year post-acquisition of the Vicon IMU business have not met expectations compared to budget there was a risk of impairment of the related goodwill and other recognised intangibles.

Response

We reviewed the policies and procedures regarding carrying value of goodwill and intangibles and considered their compliance with the requirements of IFRSs.

For each significant CGU, we:

- reviewed management's impairment reviews which included discounted cash flow forecasts. We reviewed the detailed forecasts and supporting evidence for management's reviews to substantiate the underlying assumptions including predicted growth rates;
- we used our own valuations specialists to consider the appropriateness of discount rates used; and,
- reviewed and challenged management assumptions, including revenue performance and profitability in FY18 against budgeted expectations.

Based on the results of our work we concurred with management's assessment of the goodwill impairment and that the remaining carrying values require no impairment.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceeded materiality, we use a lower level, "performance materiality", to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £295,000 (2017: £300,000). This was determined with reference to the group's profit before tax (2017: group's revenue). Performance materiality was set at 75% of the group materiality level.

Where financial information from components was audited separately, component materiality was set for this purpose at lower levels, varying between 47% and 88% of group materiality.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £14,750. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group comprised the parent company and 8 trading subsidiaries, Vicon Motion Systems Limited, Vicon Motion Systems Inc, Yotta Limited, Yotta Surveying Limited, Yotta Pty Ltd, OMG Life Ltd, IMeasureU Limited, IMeasureU Inc and 5 dormant companies.

Full scope audits of Vicon Motion Systems Limited, Yotta Limited and OMG Life Ltd were performed by BDO LLP.

Vicon Motion Systems Inc is based in Denver, in the United States of America, and as a significant component of the group, a full scope audit was performed by a member of the BDO US Alliance network.

There has been a change in scope from the prior year with regards to Yotta Surveying Limited due to its disposal from the group. Group level procedures were performed by BDO LLP on both Yotta Surveying Limited and IMeasureU Limited.

Analytical procedures were performed at group level on Yotta Pty Limited, IMeasureU Inc and the 5 dormant companies which were not subject to audit as they are not significant to the group.

The group audit team was actively involved in directing the audit strategy of the component auditor in Denver. The group audit team reviewed in detail the findings of work performed and considered the impact of these upon the group audit opinion.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Brooker (*Senior Statutory Auditor*)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £'000	2017 £'000
Revenue	4	**31,656**	29,155
Cost of sales		**(8,743)**	(8,599)
Gross profit		**22,913**	20,556
Sales, support and marketing costs		**(7,526)**	(6,753)
Research and development costs		**(3,336)**	(3,144)
Administrative expenses		**(7,467)**	(7,231)
Other operating income	5	**173**	297
Operating profit		**4,757**	3,725
Finance income		**73**	29
Finance expense		**(172)**	-
Share of post-tax loss of equity accounted associate		**(75)**	(87)
Profit before taxation		**4,583**	3,667
Taxation	8	**(556)**	(533)
Profit from continuing operations		**4,027**	3,134
Loss from discontinued operations, net of tax	10	**(484)**	(2,127)
Profit attributable to owners of the parent during the year	5	**3,543**	1,007
Earnings per share for profit on continuing operations attributable to owners of the parent during the year			
Basic earnings per ordinary share (pence)	9	**3.23p**	2.55p
Diluted earnings per ordinary share (pence)	9	**3.12p**	2.49p
Earnings per share for profit on total operations attributable to owners of the parent during the year			
Basic earnings per ordinary share (pence)	9	**2.84p**	0.82p
Diluted earnings per ordinary share (pence)	9	**2.75p**	0.80p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Group 2018 £'000	Group 2017 £'000
Net profit for the year	**3,543**	1,007
Other comprehensive income		
Items that will or may be reclassified to profit or loss		
Exchange differences on retranslation of overseas subsidiaries	**(173)**	(208)
Recycling of hedging instrument	**-**	158
Total other comprehensive expense	**(173)**	(50)
Total comprehensive income for the year attributable to owners of the parent	**3,370**	957

The notes on pages 29 to 65 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

COMPANY NUMBER: 3998880	**Note**	**Group 2018 £'000**	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Non-current assets					
Goodwill and intangible assets	11	**12,361**	12,069	**-**	-
Property, plant and equipment	13	**2,496**	1,948	**29**	37
Financial asset - investments	14	**157**	232	**14,152**	14,227
Deferred tax asset	19	**230**	377	**143**	232
		15,244	14,626	**14,324**	14,496
Current assets					
Inventories	15	**2,403**	3,330	**-**	-
Trade and other receivables	16	**10,576**	9,992	**16,567**	11,281
Current tax debtor		**101**	-	**-**	-
Cash and cash equivalents		**12,229**	9,185	**1,231**	2,698
		25,309	22,507	**17,798**	13,979
Assets classified as held for sale	25	**-**	3,047	**-**	1,000
Current liabilities					
Trade and other payables	17	**(8,167)**	(9,086)	**(7,082)**	(7,193)
Current tax liabilities		**-**	(408)	**-**	-
		(8,167)	(9,494)	**(7,082)**	(7,193)
Liabilities directly associated with assets classified as held for sale	25	**-**	(584)	**-**	-
Net current assets		**17,142**	15,476	**10,716**	7,786
Total assets less current liabilities		**32,386**	30,102	**25,040**	22,282
Non-current liabilities					
Other liabilities	20	**(631)**	(1,003)	**-**	-
Provisions	21	**(8)**	(185)	**-**	-
Deferred tax liability	19	**(1,777)**	(1,619)	**-**	-
		(2,416)	(2,807)	**-**	-
Net assets		**29,970**	27,295	**25,040**	22,282
Capital and reserves attributable to owners of the parent					
Share capital	22	**312**	308	**312**	308
Shares to be issued	24	**65**	65	**65**	65
Share premium account	24	**17,327**	17,302	**17,327**	17,302
Retained earnings	24	**12,022**	9,549	**7,458**	4,688
Foreign currency translation reserve	24	**244**	71	**(122)**	(81)
Total equity shareholders' funds		**29,970**	27,295	**25,040**	22,282

The profit of the Company for the year ended 30 September 2018 was £4,029,000 (30 September 2017: loss of £1,173,000).

The financial statements on pages 24 to 65 were approved and authorised for issue by the Board of Directors on 3 December 2018 and signed on its behalf by

Nick Bolton
Director

David Deacon
Director

The notes on pages 29 to 65 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities					
Operating profit/(loss) from continuing operations		**4,757**	3,725	**(720)**	(5,964)
Operating loss from discontinued operations		**(483)**	(2,139)	**-**	-
Group operating profit/(loss)		**4,274**	1,586	**(720)**	(5,964)
Depreciation and amortisation		**2,479**	2,166	**21**	24
Impairment of intangibles		**-**	1,630	**-**	-
Impairment of investment		**-**	-	**-**	6,558
Loss/(profit) on the sale of property, plant and equipment		**3**	(39)	**-**	-
Profit on sale of intellectual property to associate undertaking		**-**	(208)	**-**	(208)
Loss on disposal of subsidiary undertaking		**445**	-	**896**	-
Share-based payments		**323**	142	**145**	119
Exchange adjustments		**89**	(360)	**(43)**	40
Decrease/(increase) in inventories		**941**	(640)	**-**	-
(Increase)/decrease in receivables		**(184)**	664	**(953)**	(1,902)
(Decrease)/increase in payables		**(1,635)**	655	**(109)**	1,482
Cash generated from operating activities		**6,735**	5,596	**(763)**	149
Tax (paid)/received		**(727)**	18	**-**	-
Net cash from operating activities		**6,008**	5,614	**(763)**	149
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1,243)**	(1,680)	**(14)**	(22)
Purchase of intangible assets		**(2,125)**	(1,822)	**-**	-
Proceeds on disposal of property, plant and equipment		**154**	55	**-**	-
Interest received		**73**	29	**8**	13
Interest arising on contingent consideration		**(172)**	-	**-**	-
Proceeds on disposal of subsidiary undertakings net of cash disposed of	10	**1,295**	2,109	**772**	-
Acquisition of subsidiary undertaking net of cash acquired	26	**(76)**	(2,042)	**-**	-
Net cash used in investing activities		**(2,094)**	(3,351)	**766**	(9)
Cash flows from financing activities					
Issue of ordinary shares		**29**	473	**29**	473
Equity dividends paid	30	**(1,499)**	(1,224)	**(1,499)**	(1,224)
Net cash used in financing activities		**(1,470)**	(751)	**(1,470)**	(751)
Net increase/(decrease) in cash and cash equivalents		**2,444**	1,512	**(1,467)**	(611)
Cash and cash equivalents at beginning of the period		**9,785**	8,273	**2,698**	3,309
Cash and cash equivalents at end of the period		**12,229**	9,785	**1,231**	2,698
Amount included in cash and cash equivalents		**12,229**	9,185	**1,231**	2,698
Amount included in assets classified as held for sale		**-**	600	**-**	-
Total cash and cash equivalents at end of the period		**12,229**	9,785	**1,231**	2,698

The notes on pages 29 to 65 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

Group	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2016	303	65	16,834	9,506	(158)	279	26,829
Net profit for the year	-	-	-	1,007	-	-	1,007
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	(208)	(208)
Recycling of hedging instrument	-	-	-	-	158	-	158
Tax recognised directly in equity	-	-	-	118	-	-	118
Transactions with owners:							
Dividends	-	-	-	(1,224)	-	-	(1,224)
Issue of share capital	5	-	468	-	-	-	473
Share based payment charge	-	-	-	142	-	-	142
Balance as at 30 September 2017	308	65	17,302	9,549	-	71	27,295
Net profit for the year	**-**	**-**	**-**	**3,543**	**-**	**-**	**3,543**
Exchange differences on retranslation of overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**173**	**173**
Tax recognised directly in equity	**-**	**-**	**-**	**106**	**-**	**-**	**106**
Transactions with owners:							
Dividends	**-**	**-**	**-**	**(1,499)**	**-**	**-**	**(1,499)**
Issue of share capital	**4**	**-**	**25**	**-**	**-**	**-**	**29**
Share based payment charge	**-**	**-**	**-**	**323**	**-**	**-**	**323**
Balance as at 30 September 2018	**312**	**65**	**17,327**	**12,022**	**-**	**244**	**29,970**

The notes on pages 29 to 65 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

Company	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2016	303	65	16,834	6,902	(158)	(122)	23,824
Net loss for the year	-	-	-	(1,173)	-	-	(1,173)
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	41	41
Loss on hedging instrument	-	-	-	-	158	-	158
Tax recognised directly in equity	-	-	-	64	-	-	64
Transactions with owners:							
Dividends	-	-	-	(1,224)	-	-	(1,224)
Issue of share capital	5	-	468	-	-	-	473
Share based payment charge	-	-	-	119	-	-	119
Balance as at 30 September 2017	308	65	17,302	4,688	-	(81)	22,282
Net profit for the year	**-**	**-**	**-**	**4,029**	**-**	**-**	**4,029**
Exchange differences on retranslation of overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**(41)**	**(41)**
Tax recognised directly in equity	**-**	**-**	**-**	**95**	**-**	**-**	**95**
Transactions with owners:							
Dividends	**-**	**-**	**-**	**(1,499)**	**-**	**-**	**(1,499)**
Issue of share capital	**4**	**-**	**25**	**-**	**-**	**-**	**29**
Share based payment charge	**-**	**-**	**-**	**145**	**-**	**-**	**145**
Balance as at 30 September 2018	**312**	**65**	**17,327**	**7,458**	**-**	**(122)**	**25,040**

The notes on pages 29 to 65 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. Basis of preparation of the financial statements

The consolidated and parent Company financial statements of Oxford Metrics plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies which affect the reported amount of assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reported period. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

Changes in accounting standards

International Accounting Standards (IAS/IFRS)

The following amendments to standards have been adopted during the period:

- Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses'
- Amendments to IAS 7 'Statement of cash flows'

The adoption of the above amendments to standards has not had a material impact on the financial statements during the period ended 30 September 2018.

At the date of authorisation of these financial statements the following standards, amendments to standards and interpretations, which have not been adopted early in these financial statements, were issued by the IASB, but not yet effective:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'
- IFRS 17 'Insurance Contracts'
- Amendments to IAS 40 'Transfers of investment property'
- Amendments to IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 2 'Share based payments'
- Amendments to IFRS 4 'Insurance contracts'
- Amendments to IFRIC 22 'Foreign currency transactions and advance consideration'
- Amendments to IFRIC 23 'Uncertainty over income tax treatments'
- Annual improvements to IFRS's (2014-2016) cycle

At the date of authorisation of these financial statements, the directors have considered the standards and interpretations which have not been applied in these financial statements that were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The directors consider that IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' are relevant to the Group.

IFRS 15 'Revenue from contracts with customers' is applicable for periods beginning on or after 1 January 2018. Under IFRS 15, revenue should be recognised to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled. IFRS 15 also includes specific guidance for multi element arrangements, contract costs and disclosures. An assessment has been made of the impact of IFRS 15 on the way in which revenue will be recognised across the Group. Whilst most revenue streams within Yotta and Vicon will not be materially affected by the move to IFRS 15, there will be an impact on the way in which revenue from system sales within Vicon is recognised. These system sales are multi element and include the sale of hardware, software and ongoing support.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Group is still gathering data to finalise the impact on its result for 2018 had IFRS 15 been applied this year, but estimates that revenue from continuing operations would have been approximately £872,000 lower with a corresponding increase in deferred income. This increase in deferred income is due to a change from internal cost to external sales price basis on the recognition of support revenue from multi element sales. Furthermore, the tax charge for continuing operations would be approximately £148,000 lower, with profit after tax from continuing operations and net assets therefore being approximately £724,000 lower. Reported basic and diluted earnings per share from continuing operations for the year ended 30 September 2018 would have been 2.65p and 2.56p respectively. There would have been no impact on discontinued operations.

The Group will apply a cumulative adjustment on adoption of IFRS 15 and therefore do not expect the reported results for the year ended 30 September 2018 to change.

Under IFRS 16 'Leases' all leases are accounted for under a single accounting model for the lessee. All leases with a term of more than 12 months will result in the recognition of an asset and liability, unless the underlying asset is of low value, and depreciation of lease assets will be recognised separately from interest on lease liabilities in the income statement. Leases currently designated as operating leases in note 29 will be impacted. The Group is currently working to finalise the impact on its financial statements when it adopts IFRS 16 on 1 October 2019 but estimates that both the lease liability and right of use asset to be recognised will be approximately £2,000,000. The directors do not consider the application of IFRS 16, once effective, to have a material impact on the consolidated income statement.

The directors are also assessing whether the application of IFRS 9, once effective, will have a material impact on the results of the Group.

Adoption of the other standards and interpretations referred to above is not expected to have a material impact on the results of the company. Application of these standards may result in some changes in presentation of information within the Company's financial statements.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2018.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting from the date of acquisition. Inter-company balances and transactions are eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Directors of Oxford Metrics plc.

Revenue

Revenue represents the fair value of consideration received or receivable arising from the provision of goods and services to third party customers, net of VAT, and trade discounts.

Within Vicon and Yotta revenue is recognised on the delivery of the product or service, with a deferral made for the fair value of the undelivered element under the terms of the sale. This undelivered element relates to ongoing hardware and software support, the fair value of which is calculated by reference to the anticipated cost, plus a margin, of providing the support service and is consistent with the stand alone selling price of this element of the sale. Revenue not recognised in the income statement under this policy is classified as deferred income in the statement of financial position. Revenue from services is recognised as the work is performed. Revenue is only recognised where there is appropriate evidence of an arrangement, where the consideration is fixed and determinable and where collectability is reasonably assured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Within Vicon a small number of sales are made through independent third party distributors. In this instance revenue is recognised on delivery of the product to the distributor. No sales to third party distributors are made on a sale or return basis.

Within Yotta, survey contracts are accounted for in accordance with IAS 18, 'Revenue'. Where the outcome of the contract can be estimated reliably, revenue is recognised by reference to the total sales value and the stage of completion of the survey contracts. The Group has adopted the following policy for assessing the stage of completion of these survey contracts, this has been determined with reference to the proportion of total cost incurred;

- 90% of the contract value is recognised based on the number of kilometres surveyed, expressed as a percentage of the total kilometres surveyed;
- 10% of the contract value is recognised after the survey has been completed and the data delivered to the customer.

The related profit includes results attributable to contracts completed and in progress where a profitable outcome can be prudently foreseen.

Where revenue earned exceeds amounts invoiced it is included within trade and other receivables as amounts due from customers for contract work. Receipts in excess of recognised turnover are included within trade and other payables under payments on account in respect of contract work. The amount of costs incurred on survey contracts, net of amounts transferred to cost of sales is included in long term contract balances within inventories.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants received are included within other operating income in the income statement.

Goodwill and intangible assets

Goodwill is carried at cost less any provision for impairment. Intangible assets are valued at cost less amortisation and any provisions for impairment.

Goodwill arising on business combinations (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in the income statement. For business combinations completed after 1 January 2010, direct costs of acquisition are recognised immediately in the income statement as an expense.

The Group has elected to apply IFRS 3, 'Business combinations' prospectively from the date of transition to IFRS and therefore goodwill written off to reserves prior to 1 October 2006 has not been reinstated on transition to IFRS.

Externally acquired intangible assets

Intangible assets are capitalised at cost and amortised to nil by equal annual instalments over their estimated useful economic life.

Intangible assets are recognised on business combinations if they are separable from the acquired entity. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 3). The significant intangibles recognised by the Group and their useful economic lives are as follows:

- Brand name over 10 years
- Customer relationships over 8 years
- Intellectual property over 3-10 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Group is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed, which is estimated to be 3 - 7 years. The amortisation expense is included within research and development expenses in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; (its cash generating unit). Goodwill is allocated on initial recognition to each of the Group's CGU's that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates applicable are:

• Computers and equipment	25% - 50%
• Furniture and fixtures	20% or 50%
• Motor vehicles	25%
• Demonstration equipment	25% or 50%. Some demonstration equipment held within the Vicon Group is not depreciated as its residual value exceeds its cost.
• Leasehold improvements	Over the lower of the life of the asset and the remaining period of the lease.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position 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 disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Investments in subsidiaries

Investments are included at cost less provision for impairment.

Inventories

Inventories are stated at the lower of historical cost and net realisable value, on a first in first out basis, after making allowance for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Non-current assets and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations held for sale are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group’s business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated income statement separately from continuing operations in a section identified as relating to discontinued operations and prior year results have been restated.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group’s share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated income statement and consolidated statement of comprehensive income (except for losses in excess of the Group’s investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors’ interests in the associate. The investor’s share in the associate’s profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group’s share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Financial assets

The Group and Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables: Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. The accounting policies for these assets are discussed below.

Available-for-sale: Available-for-sale financial assets comprise the equity investment in a business start-up incorporated in Germany (see note 14). Available-for-sale financial assets are measured at fair value with gains or losses recognised directly in equity through the statement of changes in equity and recycled into the income statement on sale or impairment of the asset.

Financial liabilities

The Group and Company classifies its financial liabilities into the category below.

Other financial liabilities: Other financial liabilities include trade payables and other short term monetary liabilities. The accounting policies for these liabilities are discussed below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Trade and other receivables

Trade receivables do not carry interest and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade receivables are assessed individually for impairment. Such provisions for impairment are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, net deposits held at call with banks and other short term highly liquid investments with original maturities of less than three months.

Trade and other payables

Trade payables and other short term monetary liabilities are recognised at fair value and subsequently held at amortised cost.

Current and deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling (£) which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

For consolidation purposes assets and liabilities of foreign subsidiaries that have a functional currency different from the presentation currency are translated at the rates of exchange ruling at the balance sheet date. Income statements of such undertakings are translated on a monthly basis at the month end exchange rate. Exchange differences arising on these translations are taken to the foreign currency translation reserve through the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Employee benefits

Contributions to pension schemes

The Group accounts for pensions and similar employee benefits under IAS 19 'Employee benefits'. The Group operates defined contribution pension schemes for both its UK and US employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Employee share option schemes

The Group operates an equity settled share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period of the grant with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Where properties are sublet the rental income received is recognised as other income in the income statement on a straight line basis over the lease term.

Dividend distribution

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Provisions

Provisions are recognised when the Group 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 can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates, judgements and assumptions

(a) Estimate of useful lives of intangible assets

Intangible assets are amortised over their estimated useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. Customer relationships are amortised over 8 years. If this estimate increased by 10% the decrease in the amortisation charge for the year would be £41,000 (2017: £41,000). If this estimate decreased by 10% the increase in the amortisation charge for the year would be £37,000 (2017: £37,000). Within development costs there are a significant number of different projects across the Group. The useful life of each project is assessed on an individual basis. The directors do not consider it meaningful to provide a sensitivity analysis in this context due to the number of individual projects involved. More detail including carrying values is included in note 11.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

(b) *Judgements concerning the capitalisation of development costs*

Development costs are capitalised according to the criteria set out in IAS 38. Management make assumptions as to when these criteria have been met and consequently the date from which the costs for a project are capitalised. Management review the carrying value of capitalised development costs on an annual basis and consider indicators of impairment.

(c) *Estimate of share based payments*

The Group operates a number of equity settled share based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated using the Monte Carlo option pricing model on the date of grant based on certain assumptions. Those assumptions are described in note 23 and include, among others, the expected volatility and expected life of the option. More details including carrying values are disclosed in note 23.

(d) *Determination of fair values of intangible assets acquired in business combinations*

The fair value of intellectual property acquired in business combinations is based on the royalty relief method. The fair value of the intellectual property acquired with IMeasureU Limited during the prior year was determined using a discount factor of 12% and royalty rate of 17%. If the estimation of the discount factor had increased by 1% the resulting fair value of the intellectual property at 30 September 2018 would have decreased by £118,000 (2017: £131,000). If the estimation of the discount factor had decreased by 1% the resulting fair value of the intellectual property at 30 September 2018 would have increased by £128,000 (2017: £143,000). If the estimation of the royalty rate had increased/decreased by 1% the resulting fair value of the intellectual property at 30 September 2018 would have increased/decreased by £125,000 (2017: £139,000).

The fair values of customer relationships acquired through business combinations in prior years are based on the discounted cash flows expected to be derived from the use and eventual sale of the asset. If the estimation of the discount rate of 14% used in this calculation had increased by 1% the fair value of the customer relationships at 30 September 2018 would have decreased by £28,000 (2017: £38,000). If the estimation of the discount rate of 14% had decreased by 1% the fair value of the customer relationships at 30 September 2018 would have increased by £29,000 (2017: £40,000).

The contingent consideration payable on the acquisition of ImeasureU Limited has been calculated using managements estimate of the most likely outcome regarding the achievement of certain performance conditions. This contingent consideration has been discounted at a rate of 35% and translated into Sterling at the spot rate at 30 September 2018. A sensitivity analysis of these estimations is provided in note 18.

(e) *Revenue recognition estimations*

The Group reviews recognition of revenue with respect to hardware and software sales where they include an element of provision for additional services, such as support and maintenance, in line with IAS 18.

The Group's selling price for hardware sales includes support and maintenance servicing and therefore the Group defers an element of revenue which is recognised over a subsequent period. Typically, the servicing is for a period of one year from date of sale, but can be up to five years. Management believes that, based on past experience with similar revenue streams and actual support costs, an estimate of deferral of between 1% and 3% per year, dependent upon the specific CGU, is appropriate and is consistent with the current level of support costs. If management's estimate of the appropriate level of revenue deferral increased by 1% the Group's consolidated net income in 2018 would have decreased by £146,000 (2017: £216,000). If management's estimate of the appropriate level of revenue deferral decreased by 1% the Group's consolidated net income in 2018 would have increased by £146,000 (2017: £216,000).

Within Yotta surveying, revenue is recognised on survey contracts by reference to the total sales value and the stage of completion of the survey contracts. The Group has adopted the following policy for assessing the stage of completion of these survey contracts, this has been determined with reference to the proportion of total cost incurred;

- 90% of the contract value is recognised based on the number of kilometres surveyed, expressed as a percentage of the total kilometres surveyed;
- 10% of the contract value is recognised after the survey has been completed and the data delivered to the customer.

Yotta surveying has been disposed of during the year and was classified as held for sale at 30 September 2017. The directors consider that a sensitivity analysis regarding the estimations used above would not be meaningful in this context.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

4. Segmental analysis

Segment information is presented in the financial statements in respect of the Group's business segments, which are reported to the Chief Operating Decision Maker (CODM). The Group has identified the Board of Directors of Oxford Metrics plc, formerly OMG plc, ("the Board") as the CODM. The business segment reporting reflects the Group's management and internal reporting structure.

The Group comprises the following business segments:

- Vicon Group: This is the development, production and sale of computer software and equipment for the engineering, entertainment and life science markets; and
- Yotta Group: This is the provision of software and services for the management of infrastructure assets and highways surveying services (which were sold during the year) for the Government Agencies, Local Government and major infrastructure contractors. Yotta surveying was discontinued during the prior year and is shown within discontinued operations.

Other unallocated costs represent head office expenses not recharged to subsidiary companies.

Inter segment transfers are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources. This policy was applied consistently throughout the current and prior year. There were no significant inter segment transfers during the current or prior year.

Intra segment sales between Vicon UK and Vicon USA are eliminated prior to management and internal reporting, and hence are not shown separately in the analysis below. The total sales from Vicon UK to Vicon USA in the year ended 30 September 2018 are £4,414,000 (2017: £5,103,000).

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables. Unallocated assets comprise deferred taxation, investments and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Business segments are analysed below:

	Revenue	
	2018	2017
	£'000	£'000
Vicon UK	**13,964**	11,342
Vicon USA	**10,418**	11,170
Vicon Group	**24,382**	22,512
Yotta	**7,274**	6,643
Continuing operations	**31,656**	29,155
Yotta Surveying (note 10)	**1,693**	2,842
Discontinued operations	**1,693**	2,842
Oxford Metrics Group	**33,349**	31,997

Vicon revenue by market		
Engineering	**4,367**	4,767
Entertainment	**7,153**	6,661
Life sciences	**12,862**	11,084
Vicon Group*	**24,382**	22,512

Group revenue by type		
Sale of hardware	**21,687**	20,240
Sale of software	**4,289**	3,603
Rendering of services	**5,680**	5,312
Continuing operations	**31,656**	29,155
Sale of software	**12**	-
Rendering of services	**1,681**	2,842
Discontinued operations	**1,693**	2,842
Oxford Metrics Group	**33,349**	31,997

Yotta revenue by type		
Software and related services	**7,274**	6,643
Continuing operations	**7,274**	6,643
Surveying services	**1,693**	2,842
Discontinued operations	**1,693**	2,842
Yotta Group	**8,967**	9,485

* This additional information is provided to the Chief Operating Decision Maker. Further analysis by market is not available.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Revenue	
	2018	2017
	£'000	£'000
By destination		
UK	**9,978**	8,512
Germany	**1,078**	554
Bulgaria	**9**	301
Poland	**145**	-
Netherlands	**662**	677
France	**348**	208
Switzerland	**409**	170
Rest of Europe	**1,802**	687
Canada	**420**	1,455
USA	**9,357**	9,640
Rest of North America	**123**	145
Australia	**685**	1,106
Hong Kong	**1,766**	1,948
Japan	**3,257**	2,441
Rest of Asia Pacific	**939**	549
Other	**678**	762
Continuing operations	**31,656**	29,155
UK	**1,693**	2,842
Discontinued operations	**1,693**	2,842
Oxford Metrics Group	**33,349**	31,997
By origin		
UK	**20,849**	17,722
North America	**10,419**	11,170
Asia Pacific	**388**	263
Continuing operations	**31,656**	29,155
UK	**1,693**	2,842
Discontinued operations	**1,693**	2,842
Oxford Metrics Group	**33,349**	31,997

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018				2017			
	Adjusted profit/(loss) before tax £'000	**Adjusting items £'000**	**Group recharges £'000**	**Profit/(loss) before tax £'000**	Adjusted profit/(loss) before tax £'000	Adjusting items £'000	Group recharges £'000	Profit/(loss) before tax £'000
Vicon UK	**2,916**	**105**	**1,309**	**4,330**	1,418	(221)	1,653	2,850
Vicon USA	**4,372**	**-**	**(3,195)**	**1,177**	4,226	-	(3,237)	989
Vicon Group	**7,288**	**105**	**(1,886)**	**5,507**	5,644	(221)	(1,584)	3,839
Yotta	**437**	**(472)**	**(993)**	**(1,028)**	670	(445)	(641)	(416)
Unallocated	**(2,556)**	**(219)**	**2,879**	**104**	(2,398)	3	2,639	244
Continuing operations	**5,169**	**(586)**	**-**	**4,583**	3,916	(663)	414	3,667
OMG Life Group	**51**	**-**	**-**	**51**	(183)	12	-	(171)
Yotta Surveying	**(89)**	**(445)**	**-**	**(534)**	213	(1,609)	(414)	(1,810)
Unallocated	**-**	**-**	**-**	**-**	(158)	-	-	(158)
Discontinued operations	**(38)**	**(445)**	**-**	**(483)**	(128)	(1,597)	(414)	(2,139)
Oxford Metrics Group	**5,131**	**(1,031)**	**-**	**4,100**	3,788	(2,260)	-	1,528

Adjusted profit before tax is detailed in note 6.

	Segment depreciation and amortisation	
	2018 £'000	2017 £'000
Vicon UK	**1,525**	1,188
Vicon USA	**57**	45
Vicon Group	**1,582**	1,233
Yotta	**775**	666
Unallocated	**21**	24
Continuing operations	**2,378**	1,923
Yotta Surveying	**101**	1,873
Discontinued operations	**101**	1,873
Oxford Metrics Group	**2,479**	3,796

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Non-current assets		Additions to non-current assets		Carrying amount of segment assets		Carrying amount of segment liabilities	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Vicon UK	**8,899**	8,495	**2,006**	6,313	**22,522**	18,380	**(4,485)**	(5,717)
Vicon USA	**797**	825	**164**	40	**5,995**	5,782	**(1,698)**	(1,639)
Vicon Group	**9,696**	9,320	**2,170**	6,353	**28,517**	24,162	**(6,183)**	(7,356)
Yotta	**5,212**	4,793	**1,177**	603	**16,093**	15,399	**(3,910)**	(3,996)
Yotta Surveying	**-**	-	**-**	-	**-**	-	**-**	-
Yotta Group	**5,212**	4,793	**1,177**	603	**16,093**	15,399	**(3,910)**	(3,996)
Unallocated	**328**	501	**14**	272	**1,987**	3,613	**(490)**	(908)
OMG Life Group*	**8**	12	**-**	-	**(6,044)**	(6,041)	**-**	(41)
Held for sale	**-**	-	**-**	-	**-**	3,047	**-**	(584)
Oxford Metrics Group	**15,244**	14,626	**3,361**	7,228	**40,553**	40,180	**(10,583)**	(12,885)

* The negative balance within segment assets represents a cash overdraft which is part of the Group's cash offset facility.

5. Profit for the year

The profit for the year is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Loss/(profit) on disposal of property, plant and equipment	**3**	(39)
Depreciation of property, plant and equipment - owned (note 13)	**570**	409
Amortisation of customer relationships (note 11)	**314**	314
Amortisation of intellectual property (note 11)	**350**	187
Amortisation of development costs (note 11)	**1,245**	1,256
Impairment of intangible fixed assets (note 11)	**-**	1,630
Share based payments – equity settled (note 23)	**323**	142
Operating lease charges – land and buildings	**567**	641
Foreign exchange loss/(gain)	**213**	(95)
Profit on transfer of intellectual property to equity accounted associate	**-**	(208)
Grant income receivable	**(173)**	(89)

During the year the Group obtained the following services from the Group's auditors and its associates as detailed below:

	2018	2017
	£'000	£'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	**37**	35
Fees payable to the Company's auditor for other services:		
The audit of financial statements of subsidiaries pursuant to legislation	**37**	47
Tax services	**27**	27
Other services	**-**	13
Fees payable to associates of the Company's auditor for other services	**17**	16
	118	138

Audit services include £13,000 in respect of the Company (2017: £13,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

6. Reconciliation of adjusted profit/(loss) before tax

The adjusted profit/(loss) before tax is considered by the Board to more accurately reflect the underlying operating performance of the business on a go-forward basis and complements the statutory measure as reported in the Consolidated Income Statement.

The reconciliation of profit/(loss) before tax to adjusted profit/(loss) provided below includes items that are:

- non-recurring in nature, such as redundancy costs incurred from time to time, acquisition costs and results of the Group's equity accounted associate, which are not core to operations or future operating performance.
- non-cash moving items which arise from the accounting treatment of share based payments and the amortisation of acquired intangibles which affect neither future operating performance nor cash generation.

The above definition has been consistently applied historically and is the measure by which the market generally judges PBT performance.

	2018 £'000	2017 £'000
Profit before tax – continuing operations	**4,583**	3,667
Share based payments – equity settled	**323**	153
Amortisation of intangibles arising on acquisition	**645**	485
Redundancy costs	**-**	9
Costs associated with acquisition of subsidiary undertaking	**-**	137
Adjustment to fair value of deferred consideration payable and unwinding of discount factor	**(457)**	-
Income from transfer of intellectual property to equity accounted associate	**-**	(208)
Share of post-tax loss of equity accounted associate	**75**	87
Reapportion Group overheads	**-**	(414)
Adjusted profit before tax – continuing operations	**5,169**	3,916
Loss before tax – discontinued operations	**(483)**	(2,139)
Share based payments – equity settled	**-**	(11)
Impairment of intangible assets	**-**	1,608
Loss on disposal of subsidiary undertaking	**445**	-
Reapportion Group overheads	**-**	414
Adjusted loss before tax – discontinued operations	**(38)**	(128)
Total adjusted profit before tax – all operations	**5,131**	3,788

The adjusted profit before tax for the Vicon and Yotta business segments which are included within the Group's continuing operations is shown in detail below;

	Vicon Group	
	2018 £'000	2017 £'000
Profit before tax	**5,507**	3,839
Share based payments – equity settled	**110**	23
Amortisation of intangibles arising on acquisition	**242**	61
Costs associated with acquisition of subsidiary undertaking	**-**	137
Adjustment to fair value of deferred consideration payable and unwinding of discount factor	**(457)**	-
Reapportion Group overheads	**1,886**	1,584
Adjusted profit before tax	**7,288**	5,644

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Yotta Group	
	2018	2017
	£'000	£'000
Profit before tax – continuing operations	**(1,028)**	(416)
Share based payments – equity settled	**69**	12
Amortisation of intangibles arising on acquisition	**403**	424
Redundancy costs	**-**	9
Reapportion Group overheads	**993**	641
Adjusted profit before tax – continuing operations	**437**	670

The redundancy costs in the year ended 30 September 2017 are associated with OMG Life Group and the restructuring of the Yotta UK business segment.

Further details of the adjustment to fair value of the deferred consideration payable can be found in note 26.

7. Directors and employees

Staff costs during the year were as follows:

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Wages and salaries	**13,135**	12,662	**1,353**	1,371
Share-based payments	**323**	142	**145**	119
Social security costs	**1,302**	1,318	**248**	169
Other pension costs	**609**	528	**56**	50
	15,369	14,650	**1,802**	1,709

The average number of employees of the Group during the year was:

	2018 Number	2017 Number
Development	**59**	49
Sales and customer support	**69**	59
Production and production services	**80**	89
Management and administration	**26**	24
	234	221

The average number of employees of the Company during the year was 10 (2017:10) all of which are classified as management and administration.

Details of individual directors' remuneration are included in the Report on Directors' Remuneration. For the purposes of IAS 24 'Related party disclosures' the directors are considered key management.

Key management personnel compensation:

	2018 £'000	2017 £'000
Wages and salaries	**965**	962
Share-based payments	**101**	115
Social security costs	**283**	118
Other pension costs	**17**	17
Benefits in kind	**6**	5
	1,372	1,217

The number of directors accruing benefits under Group pension schemes was 1 (2017: 2).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Exercise of directors' share options

During the year two directors (2017: no directors) exercised share options. The aggregate of the gains made on these exercises in the table above is calculated on the difference between the option price and the mid-market price at the time of exercise. Additional details can be obtained from the Report on Directors' Remuneration on page 16.

8. Taxation

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

	2018 £'000	2017 £'000
United Kingdom corporation tax at 19.0% (2017: 19.5%)	**164**	251
Overseas taxation	**230**	722
Adjustments in respect of prior year	**(25)**	(21)
Current taxation	**369**	952
Deferred taxation (note 19)	**188**	(431)
Total taxation expense	**557**	521

Continuing and discontinued operations:

	2018 £'000	2017 £'000
Income tax expense from continuing operations	**556**	533
Income tax expense from discontinued operations excluding gain on sale (note 10)	**4**	6
	560	539

Total tax expense:

	2018 £'000	2017 £'000
Income tax expense excluding tax on sale of discontinued operations	**560**	539
Income tax credit on gain on sale of discontinued operations (note 10)	**(3)**	(18)
	557	521

At 30 September 2018, the Group had an undiscounted deferred tax asset of £230,000 (2017: £422,000). The asset comprises principally short term timing differences and future tax relief available on the exercise of outstanding employee share options in Oxford Metrics plc.

Deferred tax assets and liabilities have been measured at an effective rate of 17% and 25% in the UK and USA, respectively (2017: 17% and 38%, respectively) and are detailed in note 19.

The inclusion of legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and then a further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2017: higher than the standard rate of 20%).

The differences are explained as follows:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	**4,100**	1,528
Expected tax income based on the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	**779**	298
Effect of:		
Expenses not deductible for tax purposes	**(47)**	388
Tax gain on sale of discontinued operation in excess of book gain	**48**	-
Unrelieved current year losses	**179**	-
Adjustments to tax charge in respect of prior year current tax	**(25)**	(21)
Adjustments to tax charge in respect of prior year deferred tax	**(19)**	-
Higher rates on overseas taxation	**93**	160
Amounts credited directly to equity	**164**	75
Current tax benefit of share options exercised	**(211)**	(75)
Research and development tax credit	**(487)**	(305)
Share based payments	**48**	39
Effect of rate change	**35**	(38)
Total tax expense	**557**	521

9. Earnings/(loss) per share

	2018			2017		
	Earnings/ (loss) £'000	**Weighted average number of shares '000**	**Per share amount (pence)**	Earnings/ (loss) £'000	Weighted average number of shares '000	Per share amount (pence)
Continuing operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	**4,027**	**124,569**	**3.23**	3,134	122,705	2.55
Dilutive effect of employee share options	**-**	**4,327**	**(0.11)**	-	3,322	(0.06)
Diluted earnings per share	**4,027**	**128,896**	**3.12**	3,134	126,027	2.49
Discontinued operations						
Basic loss per share						
Loss attributable to ordinary shareholders	**(484)**	**124,569**	**(0.39)**	(2,127)	122,705	(1.73)
Dilutive effect of employee share options	**-**	**4,327**	**-**	-	3,322	-
Diluted loss per share	**(484)**	**128,896**	**(0.39)**	(2,127)	126,027	(1.73)
Total operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	**3,543**	**124,569**	**2.84**	1,007	122,705	0.82
Dilutive effect of employee share options	**-**	**4,327**	**(0.09)**	-	3,322	(0.02)
Diluted earnings per share	**3,543**	**128,896**	**2.75**	1,007	126,027	0.80

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (share options). For share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights and outstanding share based payment charges attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise price of the share options.

For discontinued operations the outstanding share options are anti-dilutive and therefore there is no difference between the basic and diluted loss per share.

10. Discontinued operations

On 22 May 2018 the Group sold its 100% interest in Yotta Surveying Limited for a total consideration of £1,575,000. Yotta Surveying Limited was classified as held for sale at 30 September 2017 (see note 25). Since disposal Yotta Surveying Limited has changed its name to Ginger Lehman Limited.

The post-tax loss on disposal of Yotta Surveying Limited was determined as follows;

	2018 £'000
Cash consideration received	**1,575**
Total consideration receivable at fair value	**1,575**
Cash disposed of	**281**
Transaction costs	**227**
Net cash inflow on disposal of Yotta Surveying Limited	**1,067**
Net assets disposed (other than cash):	
Intangibles	**893**
Property, plant and equipment	**72**
Inventory	**10**
Trade and other receivables	**194**
Other assets	**630**
Trade and other payables	**(44)**
Other liabilities	**(243)**
	1,512
Pre-tax loss on disposal of Yotta Surveying Limited	**(445)**
Related tax expense	**-**
Loss on disposal of Yotta Surveying Limited	**(445)**

Result of Yotta Surveying Group

	2018 £'000	2017 £'000
Revenue	**1,693**	2,842
Expenses other than finance costs	**(1,782)**	(4,652)
Tax credit	**-**	29
Loss from selling discontinued operation after tax	**(445)**	-
Loss for the year	**(534)**	(1,781)

During the year ended 30 September 2016 the decision was taken by the Group to discontinue the OMG Life Group cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Result of OMG Life Group

	2018 **£'000**	2017 £'000
Expenses other than finance costs	**51**	(171)
Tax expense	**(4)**	(35)
Loss for the year	**47**	(206)

The sale of House of Moves Inc. was completed on 15 October 2014 for a total consideration of $1,300,000.

Result of House of Moves

	2018 **£'000**	2017 £'000
Gain from selling discontinued operation after tax	**3**	1
Profit for the year	**3**	1

The result in the period for House of Moves is as a result of differences in foreign exchange rates on the deferred consideration received.

On 8 April 2015, the Group sold its 100% interest in 2d3 Limited, 2d3 Inc. and Sensing Systems Inc. for a total consideration of $23,144,000.

Result of 2d3 Group

	2018 **£'000**	2017 £'000
Recycling of hedging instrument	**-**	(158)
Gain from selling discontinued operation after tax	**-**	17
Loss for the year	**-**	(141)

The gain in the prior period for 2d3 Group is as a result of differences in foreign exchange rates on the deferred consideration received.

Result of all discontinued operations

	2018 **£'000**	2017 £'000
Revenue	**1,693**	2,842
Expenses other than finance costs	**(1,731)**	(4,823)
Recycling of hedging instrument	**-**	(158)
Tax (expense)/credit	**(4)**	(6)
(Loss)/gain from selling discontinued operation after tax	**(442)**	18
Loss for the year	**(484)**	(2,127)

The statement of cash flows includes the following amounts relating to discontinued operations:

	2018 **£'000**	2017 £'000
Operating activities	**(784)**	(305)
Tax received/(paid)	**-**	229
Proceeds on disposal of discontinued operations net of cash disposed of	**1,295**	2,109
Other investing activities	**(5)**	16
Net cash flow from discontinued operations	**506**	2,049

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The deferred consideration receivable in respect of the sale of House of Moves totals $nil (2017: $300,000). The fair value of this at 30 September 2017 was £170,000.

11. Goodwill and intangible fixed assets

Group	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost					
At 1 October 2017	2,459	3,235	14,498	3,611	23,803
Additions	-	-	2,125	-	2,125
Translation difference	(3)	(1)	-	12	8
At 30 September 2018	**2,456**	**3,234**	**16,623**	**3,623**	**25,936**
Amortisation					
At 1 October 2017	1,266	745	9,723	-	11,734
Charge for the year	314	350	1,177	-	1,841
Translation difference	-	-	-	-	-
At 30 September 2018	**1,580**	**1,095**	**10,900**	**-**	**13,575**
Net book value at 30 September 2018	**876**	**2,139**	**5,723**	**3,623**	**12,361**
Net book value at 30 September 2017	1,193	2,490	4,775	3,611	12,069

All development costs are internally generated.

On 27 June 2017 Vicon Motion Systems Ltd acquired 100% of the share capital of IMeasureU Ltd. On acquisition £2,448,000 of intellectual property and £1,076,000 of goodwill was recognised as an intangible fixed asset. Further details are included in note 26.

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2016	83	3,199	789	13,245	4,999	22,315
Additions	-	-	-	1,822	-	1,822
Acquired through business combinations	-	-	2,448	-	1,076	3,524
Reclassified as available for sale	(81)	(737)	-	(569)	(2,452)	(3,839)
Translation difference	(2)	(3)	(2)	-	(12)	(19)
At 30 September 2017	**-**	**2,459**	**3,235**	**14,498**	**3,611**	**23,803**
Amortisation						
At 1 October 2016	83	1,691	558	8,897	-	11,229
Charge for the year	-	314	187	1,256	-	1,757
Impairment	-	-	-	21	1,609	1,630
Reclassified as available for sale	(81)	(737)	-	(451)	(1,609)	(2,878)
Translation difference	(2)	(2)	-	-	-	(4)
At 30 September 2017	**-**	**1,266**	**745**	**9,723**	**-**	**11,734**
Net book value at 30 September 2017	**-**	**1,193**	**2,490**	**4,775**	**3,611**	**12,069**
Net book value at 30 September 2016	-	1,508	231	4,348	4,999	11,086

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

None of the goodwill included in the tables above has been internally generated.

During the prior year the decision was taken to discontinue the Yotta Surveying cash generating unit. Subsequently the value of the goodwill in relation to this cash generating unit was impaired resulting in an impairment loss of £1,609,000.

Current estimates of the remaining useful economic lives of the intangible assets are as follows:

Customer relationships	2-3 years
Intellectual property	7-9 years
Development costs	1-5 years
Goodwill	Indefinite

12. Goodwill and impairment

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying value	
	2018	2017
	£'000	£'000
Vicon:		
Vicon USA cash generating unit (Peak)	**533**	521
Vicon UK cash generating unit (IMeasureU)	**1,076**	1,076
Yotta:		
Yotta cash generating unit	**2,014**	2,014
	3,623	3,611

The recoverable amounts of all the CGU's have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the financial years ending 30 September 2019 and 30 September 2020.

The recoverable amount for the CGUs that hold a significant proportion of the Group's overall goodwill balance are as follows:

- Vicon UK (IMeasureU) exceeds its carrying amount by £7.1m (2017: £16.0m); and
- Yotta (previously known as Mayrise) exceeds its carrying amount by £23.8m (2017: £30.2m).

Other major assumptions are as follows (the growth rate applies only to the period beyond the formal budgeted period with the value in use calculation based on the budgeted cash flows up to 30 September 2020 and assumes a perpetuity based terminal value).

	Peak 2018 %	**IMU 2018 %**	**Yotta 2018 %**
Pre tax discount rate	**12.2**	**12.4**	**12.2**
Average operating margin	**38.5**	**27.8**	**17.8**
Growth rate	**1.0**	**11.2**	**4.0**

	Peak 2017 %	IMU 2017 %	Yotta 2017 %
Pre tax discount rate	12.1	12.4	12.1
Average operating margin	40.8	29.9	12.0
Growth rate	1.0	11.2	4.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's WACC adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates beyond the formally budgeted period are based on economic data pertaining to the region concerned.

A sensitivity analysis has been performed to establish how a change in the key assumptions would impact the value in use. All discount rates would have to move significantly in order for the carrying values to be impaired. A growth rate of 0% would not result in any of the carrying values being impaired. The operating margins would have to move significantly in order for goodwill carrying values to be impaired.

13. Property, plant and equipment

Group	Computers and equipment £'000	Furniture and fixtures £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost					
At 1 October 2017	2,066	553	445	1,394	4,458
Additions	397	70	320	450	1,237
Disposals	(214)	(204)	(163)	(8)	(589)
Translation differences	2	-	4	1	7
At 30 September 2018	**2,251**	**419**	**606**	**1,837**	**5,113**
Depreciation					
At 1 October 2017	1,658	279	47	526	2,510
Charge for the year	257	94	41	145	537
Disposals	(208)	(203)	(14)	(7)	(432)
Translation differences	1	-	1	-	2
At 30 September 2018	**1,708**	**170**	**75**	**664**	**2,617**
Net book value at 30 September 2018	**543**	**249**	**531**	**1,173**	**2,496**
Net book value at 30 September 2017	408	274	398	868	1,948

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 2016	2,605	395	150	334	556	4,040
Additions	315	168	6	343	848	1,680
On acquisition	7	-	-	-	-	7
Disposals	(362)	(9)	(32)	(231)	(10)	(644)
Transferred to available for sale	(491)	(1)	(124)	-	-	(616)
Translation differences	(8)	-	-	(1)	-	(9)
At 30 September 2017	**2,066**	**553**	**-**	**445**	**1,394**	**4,458**
Depreciation						
At 1 October 2016	2,195	244	101	242	471	3,253
Charge for the year	243	45	21	35	65	409
Disposals	(350)	(9)	(30)	(229)	(10)	(628)
Transferred to available for sale	(424)	(1)	(92)	-	-	(517)
Translation differences	(6)	-	-	(1)	-	(7)
At 30 September 2017	**1,658**	**279**	**-**	**47**	**526**	**2,510**
Net book value at 30 September 2017	**408**	**274**	**-**	**398**	**868**	**1,948**
Net book value at 30 September 2016	410	151	49	92	85	787

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Company	**Computers and equipment £'000**	**Furniture and fixtures £'000**	**Leasehold improvements £'000**	**Total £'000**
Cost				
At 1 October 2017	278	203	8	489
Additions	14	-	-	14
Disposals	(96)	(203)	(8)	(307)
At 30 September 2018	**196**	**-**	**-**	**196**
Depreciation				
At 1 October 2017	242	202	8	452
Charge for the year	21	-	-	21
Disposals	(96)	(202)	(8)	(306)
At 30 September 2018	**167**	**-**	**-**	**167**
Net book value at 30 September 2018	**29**	**-**	**-**	**29**
Net book value at 30 September 2017	36	1	-	37

Company	**Computers and equipment £'000**	**Furniture and fixtures £'000**	**Leasehold improvements £'000**	**Total £'000**
Cost				
At 1 October 2016	256	203	8	467
Additions	22	-	-	22
Disposals	-	-	-	-
At 30 September 2017	**278**	**203**	**8**	**489**
Depreciation				
At 1 October 2016	221	199	8	428
Charge for the year	21	3	-	24
Disposals	-	-	-	-
At 30 September 2017	**242**	**202**	**8**	**452**
Net book value at 30 September 2017	**36**	**1**	**-**	**37**
Net book value at 30 September 2016	35	4	-	39

14. Investments

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Shares in subsidiary undertakings – cost				
At 1 October	**-**	-	**13,995**	14,340
Additions	**-**	-	**-**	7,210
Impairment	**-**	-	**-**	(6,555)
Transferred to available for sale	**-**	-	**-**	(1,000)
At 30 September	**-**	-	**13,995**	13,995
Investment in associate – equity accounted				
At 1 October	**163**	-	**163**	-
Additions	**-**	250	**-**	250
Share of post-tax loss of equity accounted associate	**(75)**	(87)	**(75)**	(87)
At 30 September	**88**	163	**88**	163
Other investment – cost and fair value				
At 1 October and 30 September	**69**	69	**69**	69
Total financial assets – investments	**157**	232	**14,152**	14,227

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

During the prior year 100% of the share capital of Yotta Limited and Mayrise Services Limited was transferred from Yotta Surveying Limited to Oxford Metrics plc.

Oxford Metrics plc’s investment in Yotta Surveying Limited was impaired during the year ended 30 September 2017 by £6,555,000.

Details of the Company's undertakings, all of which are wholly owned and included within the consolidated financial statements, are as follows:

Name of entity	Principal activity	Country of incorporation	Registered office
Vicon Motion Systems Limited	Development, production and sale of computer software and equipment	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Yotta Limited (formerly Mayrise Limited)	Provision of computer software, hardware and maintenance contracts	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Mayrise Services Limited	Dormant holding company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Mayrise Systems Limited*	Dormant holding company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Yotta Pty Limited*	Provision of computer software, hardware and maintenance contracts	Australia	Allan Hall Business Advisors Pty Ltd, Suite 126, 117 Old Pittwater Rd, Brookvale NSW 2100
OMG Life Limited	Non trading company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Vicon Motion Systems, Inc.*	Sales, marketing and customer support	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
IMeasureU Ltd*	Development and sale of computer software and equipment	New Zealand	5 Water Street, Grafton, Auckland, 1023, New Zealand
OMG, Inc.	Non trading company	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
IMeasureU, Inc.*	Development and sale of computer software and equipment	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
Oxford Metrics Limited	Non trading company	Ireland	6th floor South Bank House, Barrow street, Dublin 4

* Investment held indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Available-for-sale investment

During the year ended 30 September 2005 the Company acquired 12% of the equity in a business start-up incorporated in Germany in return for a capital injection of €100,000 (£69,000). There were no disposals or impairment provisions on the available-for-sale financial asset in the year ended 30 September 2018 or 2017. This investment is stated at fair value which is also its cost as at 30 September 2018.

Investment in Associate

During the year ended 30 September 2017 the Company acquired a 25% shareholding in Pimloc Limited, an equity accounted associate. Further details can be found in the Financial Review within the Strategic Report.

15. Inventories

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Finished goods	**462**	952	**-**	-
Component parts	**1,941**	2,378	**-**	-
	2,403	3,330	**-**	-

The cost of inventories recognised as an expense and included in cost of sales is £6,473,000 (2017: £5,994,000). During the year £nil of inventories were impaired (2017: £123,000). £37,000 of inventories were written off (2017: £133,000) and included within cost of sales.

16. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Trade receivables	**8,691**	8,693	**-**	-
Provision for impairment of trade receivables	**-**	(237)	**-**	-
Net trade receivables	**8,691**	8,456	**-**	-
Amounts owed by other Group undertakings	**-**	-	**16,355**	11,053
Other debtors	**215**	210	**23**	34
Prepayments and accrued income	**1,670**	1,156	**189**	194
Deferred consideration receivable	-	170	**-**	-
	10,576	9,992	**16,567**	11,281

Amounts owed by other Group undertakings are repayable on demand and do not carry interest (see note 31).

As of 30 September 2018 trade receivables of £1,262,000 (2017: £2,152,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from date of invoice is as follows:

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Up to 3 months	**1,022**	1,841	**-**	-
3 to 6 months	**64**	43	**-**	-
Over 6 months	**176**	268	**-**	-
	1,262	2,152	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

As of 30 September 2018 trade receivables of £nil (2017: £237,000) were impaired. The amount of the provision was £nil as of 30 September 2018 (2017: £237,000). The ageing of these receivables is as follows:

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Over 6 months	**-**	237	**-**	-

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Sterling	**7,360**	7,438	**11,567**	6,280
Euro	**88**	180	**-**	-
US Dollar	**2,922**	2,169	**-**	-
NZ Dollar	**74**	53	**-**	-
AUS Dollar	**132**	152	**-**	-
	10,576	9,992	**11,567**	6,280

Movements in the provision for impairment of trade receivables are as follows:

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
At 1 October	**237**	13	**-**	-
(Credited)/provided during the year	**(237)**	224	**-**	-
At 30 September	**-**	237	**-**	-

The movement on the provision for impairment of trade receivables has been included in administrative expenses in the income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each receivable set out above.

17. Trade and other payables

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Trade payables	**1,643**	2,386	**57**	95
Amounts payable to group undertakings	**-**	-	**6,594**	6,538
Social security and other taxes	**293**	249	**-**	-
Other creditors	**271**	256	**-**	-
Contingent consideration payable (note 26)	**163**	333	**-**	-
Corporation tax	**2**	-	**-**	-
Accruals	**2,279**	2,509	**431**	560
Deferred income	**3,516**	3,353	**-**	-
	8,167	9,086	**7,082**	7,193

The contingent consideration payable relates to the acquisition of IMeasureU Limited during the prior year, see note 26.

Amounts payable to Group undertakings are payable on demand and do not carry interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

18. Financial instruments

The Group and Company's financial instruments comprise cash and short term deposits, debtors and creditors that arise directly from its operations. The risks associated with these financial instruments and the Group's policies for managing those risks are outlined below.

Interest rate risk of financial assets

Surplus cash funds are deposited with UK clearing banks on a short term basis for periods of less than three months. The interest rates earned (all of which are variable throughout the year) are compared with those available from other financial institutions of comparable credit status.

The rate of interest earned during the year on cash deposits was 0.11% (2017: 0.23%).

	2018						2017					
	GBP £'000	**Euro £'000**	**US$ £'000**	**NZ$ £'000**	**AUS$ £'000**	**Total £'000**	GBP £'000	Euro £'000	US$ £'000	NZ$ £'000	AUS$ £'000	Total £'000
Cash at bank and in hand	**9,414**	**101**	**2,656**	**30**	**28**	**12,229**	5,845	97	3,138	85	20	9,185
Included in held for sale	**-**	**-**	**-**	**-**	**-**	**-**	600	-	-	-	-	600
Group cash at bank and in hand	**9,414**	**101**	**2,656**	**30**	**28**	**12,229**	6,445	97	3,138	85	20	9,785

	2018				2017			
	GBP £'000	**Euro £'000**	**US$ £'000**	**Total £'000**	GBP £'000	Euro £'000	US$ £'000	Total £'000
Company cash at bank and in hand	**1,231**	**-**	**-**	**1,231**	2,698	-	-	2,698

Management considers a 0.75 basis point move in interest rates to be reasonably possible. If the interest rates in effect during the year had moved by plus or minus 0.75 basis points and all other variables held constant the Group's profit for the year ended 30 September 2018 would decrease by £8,000/increase by £57,000 (2017: decrease by £14,000/increase by £46,000). There would be no impact on other equity reserves.

As disclosed in note 14 the Group has an equity investment of £69,000 (2017: £69,000) denominated in Euros. This is accounted for as an available-for-sale investment and is measured at fair value in the balance sheet with gains or losses recognised directly in equity.

The Group and Company do not have any longer term foreign currency cash holdings.

Borrowing facilities

The Group and Company have no borrowings.

The Group operates a Multi-Currency Balance Management Arrangement between certain Group companies. This arrangement may result in individual accounts of certain entities showing debit balances. However, due to the arrangements in place, such debit balances do not incur interest charges and the Group position must always result in a net deposit balance as there is no borrowing facility. Therefore, such accounts are presented net as cash and cash equivalents on the face of the Consolidated and Company Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Risk management

The Group is exposed through its activities to the following financial risks:

Liquidity risk

At 30 September 2018 the Group's cash and short term deposits amounted to £12,229,000 (2017: £9,785,000). The Group had no financial borrowing obligations.

All financial liabilities are due within five years.

Management does not consider liquidity to be a key risk.

Credit risk

Sales are made on a basis designed to minimise so far as possible the risk of non-payment in each case. Balances owing from customers are reviewed at least monthly, and action is taken where considered appropriate with a view to achieving timely settlement, see note 16.

The Group and Company are continually reviewing the credit risk associated with holding money on deposit in banks and seek to mitigate this risk by spreading deposits between banks with high credit status.

Foreign currency risk

The Group's foreign exchange transaction exposure arises principally in the UK subsidiaries from trading with US subsidiary undertakings and third parties in Europe and the Far East. The Group's policy is to reduce exposure to revaluation of monetary assets and liabilities. Under the policy, assets and liabilities held in currencies other than a Company's functional currency are minimised through intercompany trading.

The Group considers the volatility of currency markets over the year to be representative of the potential foreign currency risk it is exposed to. The main currency the Group's results were exposed to at the year end was the US dollar and over the year the volatility of this currency was 9.0% (2017: 9.8%). If Sterling had strengthened against the dollar at year end by 10% it would have increased the Group profit by £189,000 (2017: increased Group profit by £152,000). If Sterling had weakened against the dollar at year end by 10% it would have decreased the Group profit by £235,000 (2017: decreased Group profit by £185,000).

The table below shows the extent to which Group companies have monetary assets/(liabilities) in currencies other than their local currency.

	2018					
Functional currency of operation:	**Sterling £'000**	**US$ £'000**	**NZ$ £'000**	**AUS$ £'000**	**Euro £'000**	**Total £'000**
Sterling	**-**	**(2,597)**	**(918)**	**-**	**208**	**(3,307)**
US dollar	**4,084**	**-**	**-**	**-**	**-**	**4,084**
NZ dollar	**(1,833)**	**5**	**-**	**10**	**-**	**(1,818)**

	2017			
Functional currency of operation:	Sterling £'000	US$ £'000	Euro £'000	Total £'000
Sterling	-	(2,072)	216	(1,856)
US dollar	4,084	-	-	4,084

Derivative financial instruments at fair value through profit or loss

At the current and prior year end, the Group had no forward contracts outstanding that are held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Fair value of financial assets and financial liabilities

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures some items at fair value which are all classified as Level 3, with the exception of the cash flow forward foreign exchange contract which is classified as level 2:

- Financial instruments (notes 2, 14 and 18);
- Deferred consideration receivable (notes 10 and 16).

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value technique has not been used to value the Group's equity investment, however cost is not materially different to fair value in the Board's opinion.

In the prior year the deferred consideration receivable on the sale of the House of Moves cash generating unit was discounted at a rate of 8% and translated into Sterling at the spot rate at 30 September 2017. If management's estimate of the applicable discount rate differed by 1% the fair value of the deferred consideration would have increased/decreased by £6,000 and there would have been a corresponding increase/decrease in the interest recognised in the profit for the period of £2,000. If the spot rate at 30 September 2017 had increased by 10% the fair value of the deferred consideration receivable would have decreased by £15,000 with a corresponding decrease in the profit for the year.

The contingent consideration payable on the purchase of IMeasureU Ltd has been discounted at a rate of 35% and translated into Sterling at the spot rate at 30 September 2018. If management's estimate of the applicable discount rate differed by 1% the fair value of the deferred consideration would increase/decrease by £3,000 (2017: £13,000). If the spot rate at 30 September 2018 had increased by 10% the fair value of the deferred consideration payable would have decreased by £42,000 (2017: £95,000) with a corresponding increase in the profit for the year. If the spot rate at 30 September 2018 had decreased by 10% the fair value of the deferred consideration payable would have increased by £51,000 (2017: £117,000) with a corresponding decrease in the profit for the year.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Where applicable, cost is deemed not to be materially different to fair value in the Boards opinion in determining carrying value of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The carrying value of the Group and Company's financial assets and liabilities is as follows:

Financial assets	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Loans and receivables				
Trade receivables	8,691	8,456	-	-
Other debtors	97	16	-	-
Accrued income	714	476	-	-
Deferred consideration receivable	-	170	-	-
Cash and cash equivalents	12,229	9,185	1,231	2,698
Available for sale				
Equity investment	69	69	69	69
At 30 September	21,800	21,419	1,300	3,767

Financial liabilities	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Other financial liabilities				
Trade payables	1,643	2,386	57	95
Provisions	8	185	-	-
Contingent consideration payable	462	1,050	-	-
Accruals	2,279	2,509	433	560
At 30 September	4,392	6,714	490	655

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders.

The Group considers its capital to comprise ordinary share capital, shares to be issued, share premium and accumulated retained earnings. The foreign currency translation reserve and cash flow hedging reserve are not considered capital. There have been no changes in what the Group considers to be capital from the prior year.

In order to maintain or adjust its working capital at an acceptable level and meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

The Group does not seek to maintain any debt to capital ratio, but will consider investment opportunities on their merits and fund them in the most effective manner.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

19. Deferred tax

	Group Deferred tax asset £'000	**Group Deferred tax liability £'000**	**Company Deferred tax asset £'000**	**Company Deferred tax liability £'000**
At 1 October 2016	311	(1,640)	146	-
Credited to the income statement (note 8)	74	357	22	-
Charged directly to equity	37	(3)	64	-
Reclassified as held for sale	(45)	79	-	-
Arising on acquisition of subsidiary	-	(412)	-	-
At 30 September 2017	**377**	**(1,619)**	**232**	**-**
Charged to the income statement (note 8)	(94)	(94)	(20)	-
Charged directly to equity	(53)	(4)	(69)	-
Reclassified from held for sale	-	(60)	-	-
At 30 September 2018	**230**	**(1,777)**	**143**	**-**

The following table summarises the provided tax asset and liability.

Recognised – asset	**Group 2018 £'000**	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Depreciation in excess of capital allowances	**15**	12	**7**	6
Tax relief on unexercised employee share options	**193**	236	**136**	226
Short term timing differences	**22**	174	**-**	-
	230	422	**143**	232
Included in assets classified as held for sale	**-**	(45)	**-**	-
Deferred tax asset	**230**	377	**143**	232
Recognised – liability				
Recognition of intangible asset	**(648)**	(803)	**-**	-
Tax on gain on discontinued operations – deferred consideration	**-**	(15)	**-**	-
Capital allowances in excess of depreciation	**(1,129)**	(880)	**-**	-
	(1,777)	(1,698)	**-**	**-**
Included in liabilities directly associated with assets classified as held for sale	**-**	79	**-**	-
Deferred tax liability	**(1,777)**	(1,619)	**-**	-

Deferred tax assets and liabilities have been measured on an undiscounted basis at an effective tax rate of 17% and 25% (30 September 2017: 17% and 38%) in the UK and USA, respectively. As at 30 September 2018, the Group has un-provided deferred tax assets of £658,000 arising on unrelieved trading losses for which recoverability is not certain (2017: £649,000). The gross amount of these losses is £3,498,000 (2017: £3,819,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

20. Other liabilities

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Deferred income	**332**	286	**-**	-
Contingent consideration payable (note 26)	**299**	717	**-**	-
	631	1,003	**-**	-

The deferred income above relates to revenue from support contracts which cover a period of more than 12 months from 30 September 2018.

The contingent consideration payable relates to the acquisition of IMeasureU Limited during the year.

21. Provisions

	Group £'000	**Company £'000**
At 1 October 2017	**185**	**-**
Credited to income statement – leasehold dilapidations	(177)	-
At 30 September 2018	**8**	**-**

Leasehold dilapidations relate to the estimated cost of returning the Group's leasehold properties to their original state at the end of the lease in accordance with the lease terms.

22. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
124,905,475 shares of 0.25p (2017: 123,052,402 ordinary shares of 0.25p)	**312**	308

During the year ended 30 September 2018 1,812,750 shares (2017: 1,676,174 shares) were issued relating to share options that were exercised. In addition 40,323 shares were issued to the non-executive chairman, Roger Parry, in satisfaction of salary.

At 30 September 2018 options were outstanding over 5,901,472 ordinary shares of 0.25p each (2017: 7,714,222) including those held by directors as follows:

Number of shares over which options granted	**Exercise price**	**Exercise period**
1,800,000	0.00p	December 2019 to December 2026
77,194	31.18p	September 2015 to September 2023
50,000	33.12p	March 2015 to March 2022
179,278	35.43p	March 2016 to March 2025
3,795,000	59.06p	September 2019 to July 2027

Details of directors' interests in share options are shown in the Report on Remuneration.

The market price of the ordinary shares at 30 September 2018 was 76.70p (2017: 58.75p) and the range during the year was 57.56p to 80.60p (2017: 44.00p to 60.25p). Shares to be issued are detailed in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

23. Share based payments

The Group operates a number of share based remuneration schemes for employees introduced in 2001. Under these schemes the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the share based remuneration schemes are generally reserved for employees at senior management level and above.

Options granted under the share based remuneration schemes generally become exercisable on the second anniversary of the date of grant. Exercise of an option is subject to continued employment. Options were valued using the Monte-Carlo option-pricing model. No performance conditions were included in the fair value calculations, except for market-related conditions.

A reconciliation of option movements over the year to 30 September 2018 is shown below:

	2018		2017	
	Number '000	**Weighted average exercise price (pence)**	Number '000	Weighted average exercise price (pence)
Outstanding at 1 October	**7,714**	**30.46**	4,129	16.63
Granted	**-**	**-**	5,595	40.06
Exercised	**1,813**	**0.25**	1,676	26.66
Forfeited	**-**	**-**	334	39.27
Outstanding at 30 September	**5,901**	**39.74**	7,714	30.46
Exercisable at 30 September	**306**	**33.98**	2,053	4.14

The weighted average share price at the date of exercise for options exercised during the year ended 30 September 2018 was 61.50 pence (2017: 49.64 pence).

Share options outstanding at the year end

	2018			2017		
Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of shares ('000)**	**Weighted average contractual remaining life (years)**	Weighted average exercise price (pence)	Number of shares ('000)	Weighted average contractual remaining life (years)
0.00	**0.00**	**1,800**	**8**	0.00	1,800	9
0.25	**0.25**	**-**	**-**	0.25	1,813	5
31.18	**31.18**	**77**	**5**	31.18	77	6
33.12	**33.12**	**50**	**3**	33.12	50	5
35.43	**35.43**	**179**	**6**	35.43	179	7
59.06	**59.06**	**3,795**	**9**	59.06	3,795	10

The total charge for the year relating to employee share based payment plans was £323,000 (2017: £142,000), all of which related to equity-settled share based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

There were no options granted in the year ended 30 September 2018. The assumptions used in the calculation of the fair value of the options granted during the year ended 30 September 2017 were as follows:

	LTIP	Other
Expected volatility (%)(1)	**37.6**	**37.8**
Expected life (years)(2)	**5**	**5**
Risk free rate (%)(3)	**0.68**	**0.43**
Exercise price (pence)	**0.00**	**59.06**
Vesting period (years)	**1-3**	**1-3**
Option life (years)	**10**	**10**

Notes
(1) The expected volatility is based on historical volatility over the last 5 years.
(2) The expected life is the expected period to exercise.
(3) The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The weighted average grant date fair value of options granted in the year ended 30 September 2017 was 18.47p.

Details of directors' interests in share options are shown in the Report on Remuneration.

24. Movement in reserves

The movement in reserves are disclosed fully within the Consolidated and Company Statement of Changes in Equity on pages 27 and 28. The description of the nature and purpose of each reserve within owner's equity is as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Shares to be issued	Shares to be issued to Bartle Bogle Hegarty in exchange for services received.
Share premium account	Amount subscribed for share capital in excess of nominal value.
Foreign currency translation	Gains/losses arising on retranslation of the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

25. Assets and liabilities classified as held for sale

During the prior year the Board announced its intention to dispose of the Yotta Surveying cash generating unit.

The following major classes of assets and liabilities relating to Yotta Surveying were classified as held for sale in the consolidated statement of financial position at 30 September 2017.

	Yotta Surveying 2017 £'000
Goodwill and intangible assets	**961**
Property, plant and equipment	**99**
Deferred tax asset	**45**
Inventory	**10**
Trade and other receivables	**1,332**
Cash and cash equivalents	**600**
Assets held for sale	**3,047**
Trade and other payables	**505**
Deferred tax liability	**79**
Liabilities associated with assets held for sale	**584**

An impairment loss of £1,609,000 on the measurement of the Yotta Surveying cash generating unit goodwill to fair value was recognised and included within administrative expenses during the year ended 30 September 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Within the Company the investment in Yotta Surveying Limited of £1,000,000 was classified as held for sale at 30 September 2017. There were no liabilities associated with assets held for sale.

An impairment loss of £6,558,000 was recognised and included within administrative expenses during the year ended 30 September 2017 in Oxford Metrics plc on the measurement of the investment in Yotta Surveying Limited to fair value.

26. Business combination in prior period

On 27 June 2017 the Group purchased 100% of the share capital of IMeasureU Limited, a company registered in New Zealand, whose principal activity is the provision of computer software for a total consideration with a fair value of up to £3,224,000. This includes deferred contingent consideration with a fair value on the date of acquisition of up to £1,116,000 subject to certain performance conditions being met. At 30 September 2017 the fair value of deferred contingent consideration was adjusted to £1,050,000 as a result of foreign exchange movements. The purchase has been accounted for as an acquisition.

All intangible assets have been recognised at their respective provisional fair values. The residual excess over the net assets acquired, including intangible assets, is recognised as goodwill in the financial statements.

The total goodwill arising on acquisition was £1,076,000 which is subject to an annual impairment review.

The fair value of the business assets acquired was as follows:

	Book value £'000	Fair valuation £'000	**Fair value £'000**
Intellectual property	26	2,422	**2,448**
Property, plant and equipment	7	-	**7**
Inventory	2		**2**
Accounts receivable	44	-	**44**
Other debtors	1	-	**1**
Cash	66	-	**66**
Accounts payable	(1)	-	**(1)**
Other creditors	(7)	-	**(7)**
Deferred tax liability	-	(412)	**(412)**
Net business assets acquired	138	2,010	**2,148**

Consideration:	**£'000**
Cash	**2,108**
Deferred contingent consideration	**1,116**
Total consideration	**3,224**
Goodwill arising	**1,076**

The cash consideration paid, net of cash acquired of £66,000 was £2,042,000.

The intangible assets acquired as part of the business combination significantly relate to intellectual property.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity, that do not qualify for separate recognition and synergistic cost savings that result in the Group being prepared to pay a premium.

The contingent consideration is denominated in New Zealand dollars and is dependent upon certain revenues being achieved in the period commencing on the date of acquisition and ending on 30 September 2019. The fair value of the contingent consideration payable has been measured using a discount rate of 35%. The contingent consideration is payable 20 days after each earn out review date. At the date of acquisition the undiscounted value of possible outcomes was between £nil and £2,900,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

An adjustment to reduce the fair value of deferred contingent consideration by £628,000 was recognised during the year in line with revised revenue forecasts over the remaining performance period. During the year ended 30 September 2018 £76,000 of contingent consideration was paid. At 30 September 2018 the fair value of the remaining contingent consideration is £462,000, of which £163,000 is due in less than 1 year.

The acquired business contributed revenues of £74,000 and a loss before tax of £132,000 to the Group for the period from 27 June 2017 to 30 September 2017. If the acquisition had occurred on 1 October 2016, Group revenue from continuing operations would have been £29,353,000 and profit before tax from continuing operations would have been £3,343,000. These amounts have been calculated using the Group's accounting policies.

The costs associated with the acquisition of IMeasureU Limited amounted to £137,000 and have been recognised as an expense in the year. They have been included within the income statement as part of administrative expenses.

27. Pensions

The Company operates a defined contribution pension scheme for the benefit of the UK employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The amount charged under this scheme to the income statement during the year was £499,000 (2017: £451,000).

Pension contributions are also paid for the benefit of US employees under the 401k savings plan scheme, a US government savings scheme. The amount charged under this scheme to the income statement during the year was £76,000 (2017: £58,000).

28. Government grants

During the year £173,000 (2017: £89,000) of Government grants were recognised in the income statement. These grants significantly relate to funding for research projects.

There are no unfulfilled conditions or other contingencies attached to the government grants recognised in the current or prior periods.

29. Commitments under operating leases

At 30 September 2018 the Group had the following gross minimum lease payments under non - cancellable operating leases:

	Land and Buildings	
	2018	2017
	£'000	£'000
Not later than one year	**607**	419
Later than one year and not later than five years	**1,898**	2,012
Later than five years	**588**	887
	3,093	3,318

At 30 September 2018 the total future minimum sublease payments expected to be received under non - cancellable subleases was £134,000 (2017: £179,000).

30. Dividends

	2018	2017
Equity - ordinary	**£'000**	£'000
Final 2017 paid in 2018 (1.20 pence per share)	**1,499**	-
Final 2016 paid in 2017 (1.00 pence per share)	**-**	1,224
	1,499	1,224

The directors have announced a special dividend of 1.00p per share which will absorb an estimated £1,249,000 of shareholders' funds. This dividend will be paid on 25 January 2019 to shareholders on the register of members at close of business on 14 December 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors are proposing a final dividend in respect of the financial year ended 30 September 2018 of 1.50 pence per share (2017: 1.20 pence per share) which will absorb an estimated £1,874,000 of shareholders' funds. This dividend will be paid on 7 March 2019 to shareholders who are on the register of members at close of business on 14 December 2018 subject to approval at the AGM. These dividends have not been accrued in these financial statements.

31. Related party transactions

The key management personnel are deemed to be the directors. During the year short term employee benefits of £989,000 (2017: £985,000) were paid to the directors. In addition share based payments of £101,000 (2017: £115,000) were charged to the income statement in respect of share options held by the directors. For further information see note 7.

The Company has outstanding balances and transactions with its subsidiaries as set out below:

	Outstanding balances		**Transactions in year**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Vicon Motion Systems Limited	**9,925**	6,119	**3,806**	3,138
Vicon Motion Systems, Inc	**664**	670	**(6)**	109
Yotta Surveying Limited (formerly Yotta Limited)	**-**	615	**(615)**	(6,520)
Yotta Limited (formerly Mayrise Limited)	**5,692**	3,649	**2,043**	3,304
Mayrise Systems Limited	**(123)**	(123)	**-**	(123)
OMG Life Limited	**-**	-	**-**	-
IMeasureU Limited	**74**	-	**74**	-
OMG, Inc.	**(6,471)**	(6,415)	**(56)**	(1,482)
	9,761	4,515	**5,246**	(1,574)

Outstanding balances are unsecured and repayable on demand, they do not carry interest. Consideration for these outstanding balances is expected to be in the form of cash or through the transfer of services.

The transactions in the year include head office recharges to subsidiaries of £2,879,000 (2017: £2,639,000). Other transactions arise from treasury cash management between the Company and its subsidiaries.

The amount receivable from OMG Life Limited is stated net of a provision of £2,621,000 (2017: £2,621,000) and the amount recognised as an expense in the year in respect of doubtful debts from related parties was £nil (2017: credit of £268,000).

During the prior year West Eight Investments Limited, a company in which Roger Parry is a shareholder, invoiced Oxford Metrics plc £30,000 for consultancy services. At 30 September 2017 and 2018 the balance outstanding was £nil.

Nick Bolton, David Deacon, Catherine Robertson, Adrian Carey and Julian Morris are also shareholders of Pimloc Limited. During the year the Company invoiced Pimloc Limited £31,000 (2017: £67,000) to recover costs paid by Oxford Metrics plc on their behalf. At the year end the balance outstanding was £7,000 (2017: £5,000). Oxford Metrics plc have also paid a rent deposit on behalf of Pimloc Limited of £8,000 which is included in prepayments at the year end.

Dividends received by directors of the company during the year were as follows:

	2018	2017
	£'000	£'000
Roger Parry	**2**	2
Jonathon Reeve	**-**	-
Adrian Carey	**2**	2
Julian Morris*	**-**	-
Nick Bolton	**29**	18
David Deacon	**14**	9
Catherine Robertson	**17**	14

* On 17 May 2016 Julian Morris transferred his entire shareholding to himself and his wife as the Trustees of The Appleton Trust. The Trust has been established primarily for a class of potential beneficiaries including Julian Morris, his wife and members of their family. Dividends received by the Trust during the year were £85,000 (2017: £81,000).

COMPANY INFORMATION

Company registration number:	3998880
Registered office:	6 Oxford Industrial Park Yarnton Oxfordshire OX5 1QU
Directors:	Roger Parry (Non-executive Chairman) Jonathon Reeve (Non-executive Director) Adrian Carey (Non-executive Director) David Quantrell (Non-executive Director) Nick Bolton (Chief Executive) David Deacon (Finance Director) Catherine Robertson (Executive Director)
Secretary:	Catherine Robertson
Bankers:	National Westminster Bank plc 121 High Street Oxford OX1 4DD
Solicitors:	Goodman Derrick LLP 10 St Bride St London EC4A 4AD
Broker and nominated advisor:	N+1 Singer Advisory LLP 1 Bartholomew Lane London EC2N 2AX
Registrars:	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors:	BDO LLP Level 12, Thames Tower Station Road Reading Berkshire RG1 1LX

This document is important and requires your immediate attention. If you are in any doubt as to what action to take you are recommended to consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your ordinary shares in Oxford Metrics plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for the transmission to the purchaser or transferee.

Oxford Metrics Plc
Notice of annual general meeting

Notice of the annual general meeting which has been convened for 21 February 2019 at 2.30pm at Oxford Metrics plc, 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Kent, BR3 4ZF as soon as possible and in any event not later than 48 hours (excluding days that are not a working day) before the time appointed for holding the meeting.

Notice is hereby given that the 2019 annual general meeting of Oxford Metrics plc (the "Company") will be held at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 21 February 2019 at 2.30pm for the following purposes:

Ordinary business

1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2018 and the reports of the directors and auditors on those financial statements.

2. To reappoint BDO LLP as auditors of the Company and to authorise the directors to determine the auditors' remuneration.

3. To declare a final dividend of 1.5 pence per share on each of the Company's ordinary shares for the financial year ended 30 September 2018.

4. To re-elect David Quantrell who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.

5. To re-elect Jonathon Reeve who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.

6. To re-elect Adrian Carey who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.

Special business

As special business to consider and, if thought fit, pass resolution 7 as an ordinary resolution and resolutions 8 and 9 as special resolutions. For special resolutions to pass, at least three-quarters of the votes cast must be in favour of the resolution.

7. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £156,132.

   This authority shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and shall unless previously revoked, varied or renewed by the Company in general meeting, expire on 20 February 2024, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.

8. **Special Resolution.** That, subject to the passing of resolution 7 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act and to include the sale of treasury shares as referred to in section 560(3) of the Act) for cash pursuant to the authority conferred by resolution 7 above, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an offer or pursuant to a rights issue, open offer or other pro-rata issue made to:

      i) the holders of shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of shares held by them; and

      ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary, and the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

   (b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company; and

   (c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £31,226.

   This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on 20 February 2024, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

9. **Special Resolution.** That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 0.25 pence each in the capital of the Company ("Ordinary Shares") in such manner and on such terms as the directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in sections 727 or 729 of the Act, including for the purpose of its employee share schemes, provided that:

   (a) the maximum number of Ordinary Shares authorised to be purchased is 12,490,547

   (b) the minimum purchase price which may be paid for any Ordinary Share is 0.25 pence (exclusive of expenses); and

   (c) the maximum purchase price which may be paid for any Ordinary Share is the higher of (in each case exclusive of expenses):

      i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and

      ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SEAQ; and this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

By order of the Board
Catherine Robertson
Company Secretary
3 December 2018

Registered office: 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU

The notes on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow, form part of this notice.

Notes:

1. Only holders of Ordinary Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting and at any adjournment of it. Such a member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the office of the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Kent BR3 4ZF, by not later than 48 hours (excluding days that are not a working day) before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.

3. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 19 February 2019 shall be entitled to attend and vote at this annual general meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 19 February 2019 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. Copies of the service agreements of the executive directors and the letters of appointment of the non-executive directors will be available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and will also be made available for inspection at the place of the annual general meeting for a period of 15 minutes prior to and during the continuance of the meeting.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not so in relation to the same shares.

7. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by calling our shareholder helpline on 0871 664 0300 (calls cost 12p per minute plus network extras) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm Monday to Friday. No other methods of communication will be accepted.

Explanatory notes

Report and Accounts (Resolution 1)

The directors of the Company must present the accounts to the meeting.

Reappointment and remuneration of auditors (Resolution 2)

Resolution 2 proposes the reappointment of BDO LLP as auditors of the Company and authorises the directors to set their remuneration.

Declaration of a dividend (Resolution 3)

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 1.5 pence per Ordinary Share is recommended by the directors for payment to shareholders who are on the register of members at the close of business on 14 December 2018. If approved, the date of payment of the final dividend will be 7 March 2019.

Re-election of directors (Resolutions 4, 5, and 6)

The Company's articles of association require that all directors retire at least every three years and that all newly appointed directors retire at the first annual general meeting following their appointment.

At this meeting, David Quantrell, Jonathon Reeve, and Adrian Carey will retire and stand for re-election as directors. Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

Directors' authority to allot securities (Resolution 7)

Your directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authority granted at the last annual general meeting will expire on the passing of this resolution or, if it is not passed, on 20 February 2024. The authority in resolution 7 will allow the directors to allot new shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to a nominal value of £156,132.

As at 3 December 2018, the Company did not hold any shares in treasury. If the resolution is passed, the authority will expire on 20 February 2024 unless previously revoked, varied or renewed.

Disapplication of pre-emption rights (Resolution 8)

If the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) company law requires that these shares are first offered to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of equity securities without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 8 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to allotment of equity securities for cash up to a maximum number of 12,490,547; ordinary shares (which includes the sale on a non-pre-emptive basis of any shares held in treasury). Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders.

If given, the authority will expire on 20 February 2024.

Authority to purchase own shares (Resolution 9)

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 9 seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares.

Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of Ordinary Shares that may be acquired and the maximum and minimum prices at which they may be bought.

Resolution 9 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next annual general meeting of the Company in 2020 or, if earlier, the date which is 15 months after the date of passing of the resolution.

The directors intend to seek renewal of this power at subsequent annual general meetings.

Form of Proxy

Notes for completion of the proxy form

1. As a member of the Company you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You must follow the appointment procedures set out in these notes.
2. Completion and return of this proxy form or appointment of a proxy electronically using the CREST electronic proxy appointment service will not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box on page 73, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf at the meeting, you will need to appoint someone other than the chairman and give them the relevant instructions directly.
4. If you appoint a proxy to vote on your behalf at this annual general meeting, your voting rights will revert to you at the conclusion of the annual general meeting or any adjournment of the annual general meeting.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, please insert the name of each proxy to be appointed in the box on page 73 and insert in brackets after each name the number of shares in respect of which each respective proxy is appointed.
6. To direct your proxy how to vote on the resolutions, please indicate how you wish your vote to be cast by placing 'X' in the appropriate column. To abstain from voting on a resolution, select the relevant "Vote withheld" box. Please note that a vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no specific direction as to how you wish your vote to be cast is given, your proxy may vote or abstain, at his or her discretion. On any other business which is put before the meeting (including a motion to adjourn the meeting or to amend a resolution) the proxy will vote (or abstain from voting) at his or her discretion.
7. To be valid, this proxy form must be:
   (a) completed and signed;
   (b) sent or delivered to Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham BR3 4ZF; and
   (c) received by Link Asset Services, no later than 48 hours (excluding days that are not a working day) before the time of the meeting.
8. If a member is a company, this proxy form must be executed under its common seal (or such form of execution as has the same effect) or executed on its behalf by a duly authorised officer of the company or an attorney for the company. A copy of the authorisation of such officer or attorney must be lodged with this proxy form.
9. If this proxy form is executed under a power of attorney or any other authority the original power or authority (or a duly certified copy of such power or authority) must be lodged together with this proxy form.
10. In the case of joint holders, any one holder may sign the form of proxy but all the names of the joint holders should be stated on this proxy form. If more than one of the joint holders purports to appoint a proxy, the appointment submitted by the most senior holder will be accepted to the exclusion of the appointment(s) of the other joint holder(s), seniority being determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding (the first-named being the most senior).
11. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. Any alterations made to this form should be initialled.
13. You may not use any fax number or email address or other electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

If you have any queries completing this form please contact Link Asset Services on telephone number 0871 664 0300 (calls cost 12p per minute plus network extras) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm, Monday to Friday.

Form of Proxy

For use at the annual general meeting to be held at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 21 February 2019. Before completing this form, please read the explanatory notes opposite.

I/We ....

Of..
being [a] member[s] of Oxford Metrics plc (the "**Company**"), hereby appoint the chairman of the meeting or (see note 3)

....

as my/our proxy (see note 4) to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 21 February 2019 and at any adjournment of the meeting.

I/We have indicated with an 'X' in the appropriate spaces how I/we wish my/our votes to be cast and direct the proxy to vote as indicated.

If this form is signed and returned without any indication as to how my/our proxy shall vote, my/our proxy may exercise his or her discretion as to both how he or she votes (including as to any amendments to the resolutions) and whether or not he or she abstains from voting.

I/We authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Resolution. (Place X in appropriate box)	For	Against	Withheld	Discretionary
Ordinary business				
1. To receive and adopt the financial statements for the year ended 30 September 2018				
2. To re-appoint BDO LLP as auditors and authorise the directors to fix their remuneration				
3. To declare a final dividend				
4. To re-elect David Quantrell as a director				
5. To re-elect Jonathon Reeve as a director				
6. To re-elect Adrian Carey as a director				
Special business				
7. To authorise the directors to allot shares pursuant to section 551 of the Companies Act 2006 (the "Act")				
8. To authorise the directors to allot shares pursuant to section 570 of the Act as if section 561 of the Act did not apply				
9. To authorise the Company to make one or more market purchases of ordinary shares in the company				

Signature(s) ....Date 2019   Signature(s) ....Date 2019

[Please return in envelope supplied]

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