cerillion

Annual Report and Financial Statements 2021

Cerillion plc

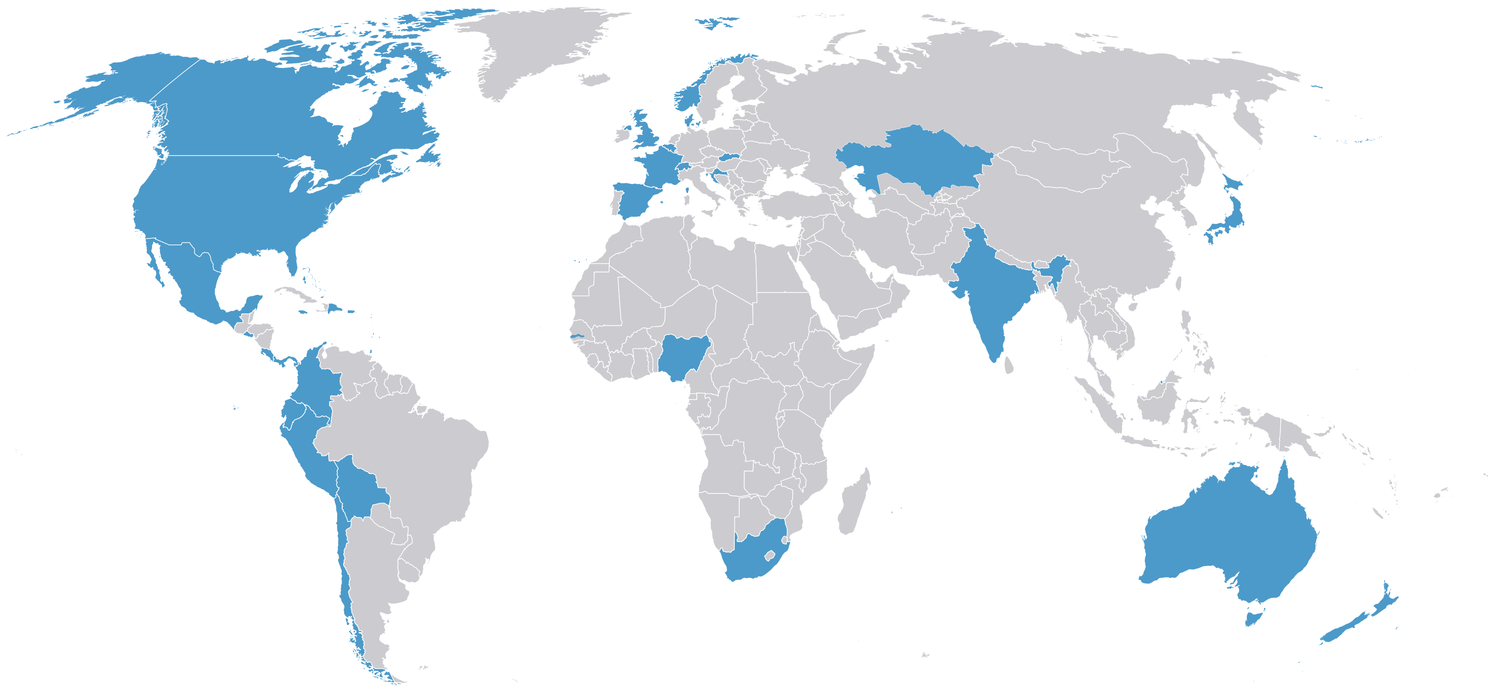
Company Information

Company registration number:	09472870
Registered office:	25 Bedford Street London WC2E 9ES
Directors:	L T Hall O C R Gilchrist G J O'Connor A M Howarth M Dee
Secretary:	O C R Gilchrist
Bankers:	HSBC UK Bank plc 69 Pall Mall St James London SW1Y 5EY
Solicitors:	Orrick, Herrington & Sutcliffe (Europe) LLP 107 Cheapside London EC2V 6DN
Nominated Adviser and Broker:	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Independent Auditors:	PricewaterhouseCoopers LLP Registered Auditor Chartered Accountants 3 Forbury Place 23 Forbury Road Reading, Berkshire RG1 3JH
Financial Public Relations	KTZ Communications Limited No. 1 Cornhill London EC3V 3ND

Contents

Overview
Who We Are

Cerillion provides mission-critical software for billing, charging and customer relationship management ("CRM"), primarily to the telecoms sector.



c. 80 customers

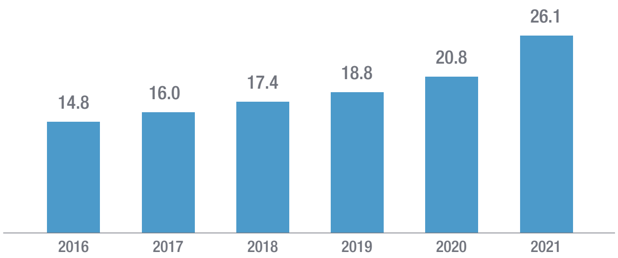
c. 45 countries

- Headquartered in London, with a Global Solutions Centre in Pune, India, and operations in Bulgaria, USA and Australia
- Global customer base c. 80 customers in c. 45 countries
- Long customer relationships - typically 10+ years
- Existing customers typically generate over 80% of annual income
- Product offering is recognised in global analyst reports
- Rising demand in telecoms marketplace, driven by multiple factors, including technological and regulatory change

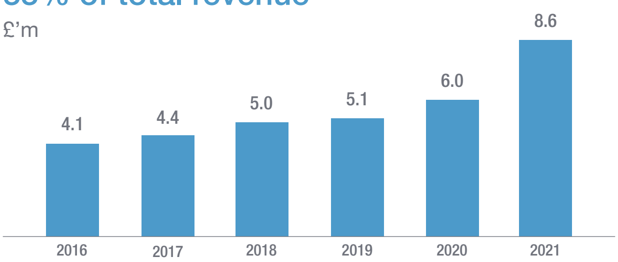
Highlights
Financial Performance Highlights

Record highs across all key financial measures

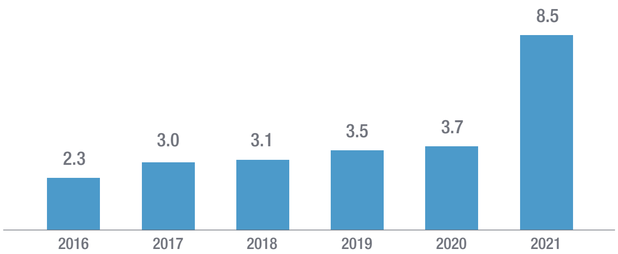
Total Revenue +25%
£'m



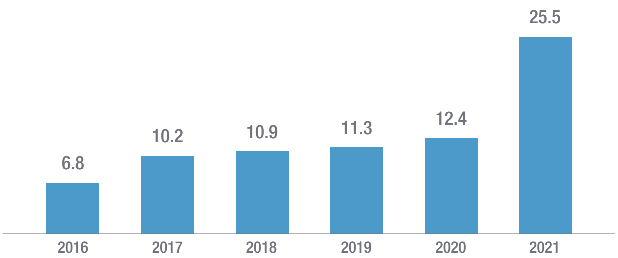
Recurring Revenue +43%
33% of total revenue
£'m



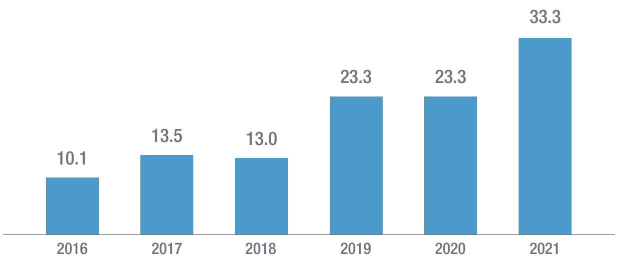
Adj. PBT +131%
£'m



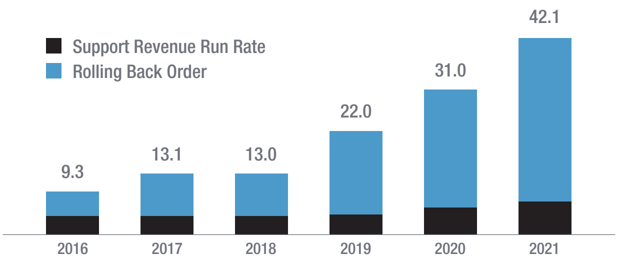
Adj. EPS +105%
p



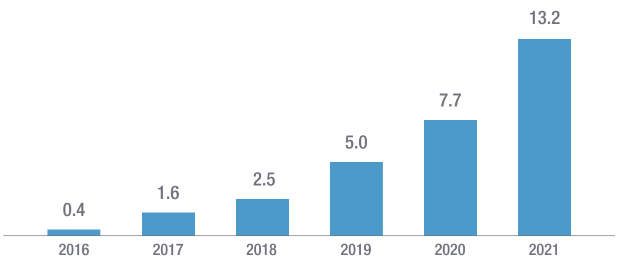
New Orders +43%
£'m



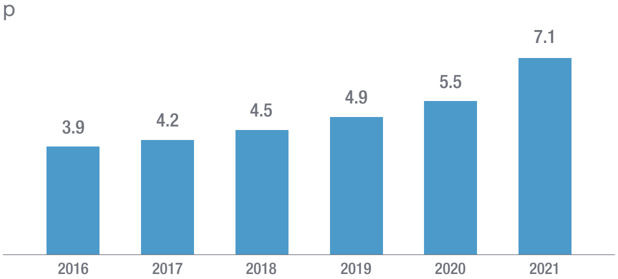
Back-order Book +36%
£'m



Net Cash +71%
£'m



Dividend per share +29%
p



Highlights

Cerillion plc, the billing, charging and customer relationship management software solutions provider, presents its annual results for the 12 months ended 30 September 2021.

Financial:

- All key financial performance measures reached record highs
- Revenue[1&4] rose by 25% to £26.1m (2020: £20.8m)
  - recurring revenue[5] contributed £8.6m (2020: £6.0m), 33% of total revenue
  - at the year end, on an annualised basis, recurring revenue was up 25% year-on-year to £9.9m (2020: £7.9m)
- New orders rose by 43% to £33.3m (2020: £23.3m)
- Back-order book[6] increased by 36% to £42.1m at the year-end (2020: £31.0m)
- Adjusted EBITDA[2] increased by 81% to £10.5m (2020: £5.8m)
  - adjusted EBITDA margin rose to 40.3% (2020: 27.9%)
- Adjusted profit before tax[3] up by 131% to £8.5m (2020: £3.7m)
- Adjusted earnings per share[7] increased by 105% to 25.5p (2020: 12.4p)
- Reported profit before tax up by 181% to £7.4m (2020: £2.6m)
- Reported earnings per share up 147% to 21.8p (2020: 8.8p)
- Net cash increased by 71% to £13.2m (2020: £7.7m)
- Final dividend of 5.00p per share proposed (2020: 3.75p), bringing the total dividend for the year to 7.1p per share (2020: 5.5p), an increase of 29%

Operational:

- Staff continued to work remotely in light of the ongoing coronavirus pandemic, but there was little adverse impact to operations and implementations
- Largest ever contract won in March 2021 ($18.4m), with Telesur, a full-service Latin American network operator, continuing the trend of winning bigger contracts with larger customers
- Strong pipeline of new business opportunities
- The Board believes that Cerillion is well-positioned for further progress over the new financial year

Louis Hall, CEO of Cerillion plc, commented:

"We have more than doubled our top-line growth rate to 25%, building on the increasing momentum in new business wins over the last three to four years. I am also pleased to highlight strong margin growth and a rising base of recurring income. Cerillion has made huge strides in increasing market awareness of its flagship product, and the signing of its largest ever contract win in the first half of the financial year continued the trend of securing bigger contracts with larger customers.

"Prospects for ongoing growth remain very strong. With a record back-order book and strong new business pipeline, we remain confident of continued momentum over the new financial year. The market backdrop remains extremely favourable. The roll-out of 5G and digitisation continue to drive investment by telecom companies in enterprise software. These tailwinds should help to support Cerillion's continued expansion over the short-term and longer term."

Notes

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

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

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

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

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

Note 6 Back order book consists of £34.9m of sales contracted but not yet recognised at the end of the reporting period plus £7.2m of annualised support and maintenance revenue. It is anticipated that 75% of the £34.9m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12 to 18 months.

Note 7 Adjusted earnings per share is calculated by taking profit after tax and adding back amortisation of acquired intangible assets, share-based payment charge and exceptional items and is divided by the weighted average number of shares in issue during the period. There is no tax impact relating to these items.

Chairman and Chief Executive Officer's Report

Introduction

Cerillion performed very strongly over the financial year, with revenue, profit before tax and the back-order book setting new record highs. Revenue increased by 25% year-on-year to £26.1m (2020: £20.8m), more than doubling the growth rate achieved in the previous four financial years post-IPO. Adjusted profit before tax rose by 131% to £8.5m (2020: £3.7m), significantly better than market expectations as previously reported in our trading update in October. In addition, the back-order book was up by 36% to £42.1m (2020: £31.0m).

New orders over the year were up by 43% to £33.3m (2020: £23.3m), and included the largest initial contract the Company has signed in its history at $18.4m. The contract, with Telesur, a full-service Latin American network operator, followed a £11.2m contract win in the prior financial year, which at the time was Cerillion's largest ever contract win. The trend in recent years towards bigger deal sizes with larger customers has multiple benefits. It evidences the quality of our product offering, adds customers that are typically more active and generate higher income over the long-term, and since larger deals frequently have a higher software licence element, they tend to be margin enhancing.

The Company's performance was also supported by strong demand from existing customers, with orders from existing accounts up by 105% to £19.2m (2020: £9.4m), which exceeded the 88% increase in the prior year. This significant uplift in sales mainly reflected the increased presence in the base of larger customers with commensurately broader and deeper requirements as well as larger budgets.

The global coronavirus pandemic did not significantly impede the Company's operations over the financial year. Staff continued to work remotely, and a hybrid model is now operating in the London office, with staff working two core days a week in the office and three days a week from home. It is anticipated that staff will begin to return to the Pune office in some form from January 2022.

In order to support the significant acceleration of the Company's growth rate, we increased our resource in the main London and Pune operations. In early September, we also launched a new delivery and development centre in Sofia, Bulgaria, which has a reputation for its strong technology skill base. We expect the new centre to become another major strategic base for the Group.

Looking to the future, demand for billing, charging, customer relationship management ("CRM") and digital customer experience solutions in the Company's core telecommunications market is set to continue to rise as telecoms businesses continue to invest in 5G rollouts and the ancillary systems that are essential to supporting and monetising those investments. Cerillion remains well-placed to benefit from this, and to grow both in Europe and its other international markets.

The pipeline of potential new business opportunities remains very strong, at £146.4m (2020: £121.9m) and major implementations for new customers are progressing well. We therefore expect the Company to make further strong progress in the new financial year.

Financial Overview

Total revenue for the year to 30 September 2021 rose by 25% to £26.1m (2020: £20.8m). As is typical, existing customers (classified as those acquired before the beginning of the reporting period) accounted for a high proportion of total revenue, generating 96% of the overall result (2020: 97%).

Recurring revenue, which is derived from support and maintenance and managed service contracts, contributed £8.6m to total revenue, approximately 33% of overall Group revenue (2020: £6.0m, 29%). At 30 September 2021, recurring revenue on an annualised basis was 25% higher year-on-year at £9.9m (30 September 2020: £7.9m), boosted by a 36% increase in annualised managed service contract revenue (2020: 205%) as more customers contracted for these services.

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

- Software (including Software-as-a-Service) revenue increased by 75% to £13.4m (2020: £7.6m). This was mainly due to an increase in licence revenue recognition deriving from recent larger wins with larger customers. Software revenues accounted for 51% of total revenues (2020: 37%).
- Services revenue increased by 5% to £11.9m (2020: £11.3m) and comprised 46% of total revenue (2020: 54%).
- Third-party income totalled £0.8m (2020: £1.8m) and comprised 3% of total revenue (2020: 9%), the reduction being mainly due to a reduction in lower margin hardware sales to new and existing customers.

Gross margin increased to 78% (2020: 74%), which was in line with management expectations.

Reflecting growth, operating expenses increased by 3% to £12.9m (2020: £12.5m). Personnel costs were steady at £5.8m (2020: £5.8m), and accounted for 45% (2020: 47%) of operating expenses.

Adjusted EBITDA for the year increased by 81% to £10.5m (2020: £5.8m), mainly driven by higher revenues. The Board considers adjusted EBITDA to be a key performance indicator for Cerillion as it adds back exceptional items and key non-cash transactions, being share-based payments, depreciation and amortisation.

We continued to invest in our product set, and the charge for amortisation of intangibles was £1.9m (2020: £1.9m). Expenditure on tangible fixed assets was £0.3m (2020: £0.3m). Operating profit increased by 168% to £7.5m (2020: £2.8m) due to the increase in revenue, which included a higher proportion of software licence revenue and a lower proportion of lower margin 3rd party revenue, as well as operational leverage.

Adjusted profit before tax rose by 131% to £8.5m (2020: £3.7m) and adjusted earnings per share increased by 105% to 25.5p (2020: 12.4p). On a statutory basis, profit before tax increased by 181% to £7.4m (2020: £2.6m) and earnings per share increased by 147% to 21.8p (2020: 8.8p).

Cash Flow and Banking

The Group continued to generate strong cash flows, and closed the financial year with net cash of £13.2m, up by 71% against the same point last year (30 September 2020: £7.7m). This net position is after £0.6m of debt repayments (2020: £1.2m) and £1.7m of dividend payments (2020: £1.5m). Total Group cash at the year-end increased to £13.2m (2020: £8.3m), up by 59% year-on-year, and total debt stood at £nil (2020: £0.6m).

Dividend

The Board is pleased to propose a 33% increase in the final dividend to 5.00p per share (2020: 3.75p). Together with the interim dividend of 2.1p per share (2020: 1.75p), this brings the total dividend for the year to 7.1p per share (2020: 5.5p), an increase of 29%.

The dividend, which is subject to shareholder approval at the Company's Annual General Meeting to be held on 4 February 2022, will become payable on 8 February 2022 to those shareholders on the Company's register as at the close of business on the record date of 31 December 2021. The ex-dividend date is 30 December 2021.

Operational Overview

Whilst the coronavirus pandemic presented fewer challenges this financial year compared to the prior year, with the Group having already adapted well to the change in circumstances, we remained vigilant. Staff continued to work remotely, and we were able to continue to complete new implementations and new projects for existing customers remotely.

The global experience of enforced remote working – still in place in many economies – has continued to emphasise the dependence of the world economy on state-of-the-art telecoms infrastructure. We are seeing high levels of investment in the sector in general, and an acceleration of investment in 5G rollouts, with spending trickling down from core network improvements to ancillary system upgrades and replacements. We therefore fully expect demand for billing, charging, CRM and digital customer experience software in our core telecoms market to continue to grow.

Chairman and Chief Executive Officer's Report

Continued

Beyond these broad sector trends, a number of other factors will continue to drive demand for our specific offerings. These include:

- the acceleration of digital investments, initially driven by the pandemic as a necessity to ensure continuity of services, but increasingly as a requirement to improve the customer experience. This means Communication Service Providers ("CSPs") are now going beyond their digital front-ends and investing in wider digitalisation and in the transformation of their BSS/OSS systems – to automate and optimise customer engagement and deliver a seamless experience across all touchpoints;
- the rollout of 5G and the evolution to 5G "Standalone" networks, which is driving further investment in convergent charging systems and product catalogue solutions, as CSPs aim to maximise their opportunities in the B2B sector;
- the requirement for agility; with CSPs facing the on-going threat from digital services providers and the hyperscalers, agility is more important than ever. This is driving further investment in BSS/OSS platforms that will allow CSPs to pivot quickly, changing business processes to address new market opportunities, from the complexities of B2B/enterprise use cases to the simplest of digital subscription services; and
- the trend to 'low-code' / 'no-code', with many CSPs now preferring to invest in products with standardised interfaces (Open Application Programming Interfaces ("API")) for interoperability with other systems, and moving away from 'customisation' towards 'configuration'.

Cerillion's ability to address the market through a range of flexible solutions remains a key strength. In addition to our proven ability to support end-to-end transformation projects, the Company can provide individual product modules, or subsets of modules, to implement point solutions that address more specific requirements. The Company's solutions are also able to support a broad range of CSPs, from traditional network operators and virtual network operators ("VNOs") to enterprise connectivity solutions providers.

The major new contract win announced in March 2021 with Telesur, the main telecoms provider in Suriname, was another important milestone for Cerillion, representing the Company's largest ever initial contract value, and enhancing the Cerillion brand in the marketplace. We expect the general trend towards signing bigger deals with larger new customers to continue. As mentioned previously, these engagements typically involve higher recurring revenues as well as much greater upsell opportunity, and therefore will contribute significantly to the ongoing growth of the business.

The new customer wins, ongoing implementation work with existing customers, and major new deals signed with existing customers, create a strong platform for further growth in the new financial year. The back-order book at 30 September 2021 was up by 36% to an all-time record of £42.1m (2020: £31.0m), providing far greater visibility of revenues than at the beginning of any previous financial year.

As we continue to grow across the globe, and global labour markets evolve, we will continue to expand our operating locations, both to continue to have access to the best talent most cost-effectively, and to be able to support our expanding customer base at closer proximity.

We continued to invest in R&D over the year to further improve our product set, maintaining our commitment to provide two major new releases of the product set in each calendar year. The most recent of these upgrades was Cerillion 21.2, which went on general release in early November 2021.

Outlook

The Company delivered a record set of results, and our products are gaining greater visibility in the marketplace. In addition, Cerillion's financial position is very strong, supported by a growing base of recurring income, increased cash flows, and no debt.

We believe that Cerillion remains well-positioned to deliver another strong performance over the new financial year. The back-order book stands at a record level, providing strong visibility of revenues, and the pipeline of new business is strong. In addition to these strong organic growth prospects, we also continue to assess a range of inorganic growth opportunities as they arise.

The market backdrop is favourable, with increasing investment by telecom companies in their networks and in digital transformation, and this long-term trend should continue to benefit Cerillion's growth prospects.

A M Howarth
Non-executive Chairman
19 November 2021

L T Hall
Chief Executive Officer
19 November 2021

Strategic Report

The Directors present their strategic report for the year ended 30 September 2021.

Financial overview

Revenue for the year totalled £26,070,815 (2020: £20,813,925) and the gross profit was £20,408,587 (2020: £15,348,215). Profit after tax was £6,427,095 (2020: £2,609,805). The Group's net assets were £20,205,443 (2020: £16,025,889).

Business review

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

Future outlook of the business

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

Summary of key performance indicators

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

		2021 £'000	2020 £'000
Revenue		**26,071**	20,814
Key revenue streams:*			
Services		**11,864**	11,326
Software & Software-as-a-Service		**13,398**	7,642
Recurring revenues		**8,648**	6,040
New orders		**33,302**	23,297
Back order book		**42,072**	30,978
Operating profit		**7,524**	2,803
Add back:	- Depreciation and amortisation	**2,881**	2,934
	- Share-based payment charge	**110**	69
Adjusted EBITDA**		**10,515**	5,806
Profit before tax		**7,427**	2,639
Add back:	- Amortisation of acquired intangibles	**993**	992
	- Share-based payment charge	**110**	69
Adjusted profit before tax***		**8,530**	3,700
Employee numbers:	*- Onshore*	**107**	104
	- India	**145**	131
Total		**252**	235

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

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

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

Strategic Report
Continued

Principal risks and uncertainties

Effectively managing risks is an integral part of Cerillion's business. The Group has identified its main risks and is taking appropriate action to manage and mitigate these risks. The Group's multinational operations expose it to financial risks that include market risk, credit risk, operational risk and liquidity risk. The Directors have split the risks into those relating to the Group and its business operations and those relating to the industry and markets where the Group operates. The Directors review and agree policies for managing each of these risks. These policies are detailed in note 19 to the financial statements.

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

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

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

Mitigation:

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

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

The Group services customers in c. 45 countries and, in the year ended 30 September 2021, 72% (2020: 88%) of the Group's revenues were generated outside of the UK, some of which were transacted in foreign currencies. To the extent that the Group's business transactions are not denominated in the same currency, the Group is exposed to foreign currency exchange rate risk. The Group continually reviews contract denominations and exchange rates and enters into hedging currency contracts, where deemed appropriate. Movements in foreign exchange rates on transactions outside of those hedged items could have an adverse effect on the Group's business, financial condition and results of operations. Uncertainties with respect to the outcome of Brexit could have an impact on fluctuations or devaluations in foreign currencies and could adversely affect the Group's financial condition.

Mitigation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue/customer concentration

Customers by size:	2021	2020	2019
Number 1	**19.9%**	21.5%	19.6%
Top 5	**51.6%**	57.6%	55.4%
Top 10	**75.9%**	80.2%	74.6%
Top 20	**93.0%**	96.1%	95.1%

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

Strategic Report
Continued

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

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

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

Reporting on compliance with section 172 requirements

In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act.) in the decisions taken during the year ended 30 September 2021.

Each year, the Board undertakes an in-depth review of the Company's strategy, including a business plan for subsequent years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long term reputation.

Stakeholder engagement

With employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues with regular all company meetings, briefing groups and the distribution of the annual report.

The Company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion, sexual orientation or disability.

With suppliers, customers, and others

From the perspective of the Board, the Board has taken the lead in carrying out the duties of a Board in respect of the Company's other stakeholders, including engaging with them, having regard to their interests and the effect of that respect. The Board of the Company has also considered relevant matters where appropriate.

We only work with suppliers and customers with an equivalent high regard for quality, ethics (including the prohibition of modern slavery and anti-bribery), rights, a consideration for the environment, and commitment to our customers.

Shareholder information

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

This report is approved by the Board on 19 November 2021 and signed on its behalf by:

L T Hall
Chief Executive Officer

Corporate Governance Report

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

Audit Committee

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

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

Nominations Committee

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

Remuneration Committee

The remuneration committee comprises Alan Howarth and Mike Dee, both of whom are independent non-executive directors, and is chaired by Alan Howarth. The remuneration committee normally meet at least once a year and has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including senior management), including annual bonuses, the eligibility requirements for benefits under long term incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the executive Directors, including pension rights, contracts of employment and any compensation payments.

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

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

Board of Directors

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

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

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

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

Alan Miles Howarth, Non-executive Chairman (aged 76 years)

Alan Howarth has extensive senior executive experience in a range of national and international organisations in both the public and private sector. At Ernst & Young he was one of the founding partners of the UK Management Consulting practice. For the last 18 years, he has managed a portfolio of non-executive appointments, as chairman of both public and private companies primarily in the UK and US Technology and Health sectors. He is Chairman of Essentia Trading Limited as well as a Non-executive Director of Premier Technical Services Group plc.

Louis Tancred Hall, Chief Executive Officer (aged 57 years)

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

Oliver Campbell Radnor Gilchrist, Chief Financial Officer (aged 57 years)

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

Guy Jason O'Connor, Business Development Director (aged 58 years)

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

Mike Dee, Non-executive Director (aged 66 years)

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

Board of Directors

Continued

Attendance at the relevant committees was as follows:

Committee Attendance	Board	Audit	Nominations	Remuneration
Alan Howarth	11/11	2/2	-	1/1
Mike Dee	11/11	2/2	-	1/1
Louis Hall	11/11	-	-	-
Oliver Gilchrist	11/11	-	-	-
Guy O'Connor	9/11	-	-	-

Report of the Remuneration Committee

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

Composition and role of the Remuneration Committee

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

Framework and policy on Executive Directors' remuneration

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

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

Basic salary

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

Incentive arrangements

Annual discretionary bonuses

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

Long-term incentive awards

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

The LTIP was established to further incentivise the Senior Managers, who had limited equity in the Group, in the creation of long-term value for shareholders. The options granted in 2017 were exercisable at the nominal value of the ordinary shares and were granted over an aggregate of 300,000 ordinary shares, representing approximately 1% of the current issued share capital of the Company. The LTIP provides for these options to vest, in full, three years from the date of the grant, subject to the achievement of targets for compound annual growth in the share price of the Company over this vesting period. The targets are as follows:

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

The 2017 LTIP award fully vested during the year ended 30 September 2021 and the existing options were exercised, at a price of £0.05 per share. The first half of the 2017 LTIP options were exercised in October 2020 with 125,000 ordinary shares issued from Treasury Shares in settlement. In March 2021 the Company acquired some of its own shares in the market to be held as Treasury Stock to be used to satisfy the exercise of share options under the second part of the 2017 LTIP scheme, with the final 125,000 ordinary shares issued from Treasury in May 2021.

Report of the Remuneration Committee

Continued

During the year ended 30 September 2021 the Board made new awards under the LTIP, with 75,000 new options issued as part of the 2021 LTIP award. The options granted in June 2021 were exercisable at the nominal value of the ordinary shares and were granted over an aggregate of 75,000 ordinary shares, representing approximately 0.25% of the current issued share capital of the Company. The award provides for these options to vest: 32,500 options three years from the date of grant; 32,500 options four years from the date of grant, 5,000 options five years from the date of the grant; and 5,000 options six years from the date of the grant, subject to the achievement of targets for compound annual growth in the share price of the Company over these vesting periods. The targets are as follows:

Below 10% compound annual growth:	nil vesting
10% compound annual growth:	25% vesting
18% compound annual growth:	100% vesting
Between 10% and 18% compound annual growth:	Straight-line vesting between 25% and 100%

In addition, the LTIPs are conditional on the Company's adjusted annual earnings per Share for each of the three, or five, years of the initial vesting period to increase by at least 5% per annum. The LTIPs also contain standard provisions dealing with certain matters such as cessation of employment and change of control. No Directors of the Company are participants in the LTIPs.

Under the 2019 SAYE scheme, employees could elect to contribute a monthly amount to be saved over three years to enable the exercise of options over Ordinary Shares of 0.5 pence each in the Company. The options will be available for exercise from 1 March 2022, with an exercise price of £1.092, which was a 20% discount to the closing price on the last trading date before the launch of the Plan.

In total up to 132,912 options over Ordinary Shares were awarded under the Plan, which would represent approximately 0.45 per cent. of the current issued share capital of the Company.

During 2021 the Group introduced an additional Save as You Earn (SAYE) share option scheme whereby employees could elect to contribute a monthly amount to be saved over three years to enable the exercise of options over Ordinary Shares of 0.5 pence each in the Company. The options will be available for exercise from 1 August 2024, with an exercise price of £5.92, which was a 20% discount to the closing price on the last trading date before the launch of the Plan.

In total up to 71,000 options over Ordinary Shares were awarded under the Plan, which would represent approximately 0.2 per cent. of the current issued share capital of the Company.

There is a charge recognised in the current year financial statements of £110,341 (2020: £68,727) in total in respect of both the 2021 LTIP and SAYE schemes.

Other benefits

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

Service contracts and notice periods

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

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

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

Directors' emoluments (audited)

The remuneration of each Director during the years ended 30 September 2021 and 30 September 2020 are detailed in the tables below:

	Salary £	Benefits £	Bonus £	Pension contribution £	**Total 2021 £**
Executive					
L T Hall	310,843	6,256	310,843	-	**627,942**
O C R Gilchrist	184,066	6,607	93,874	22,088	**306,635**
G J O'Connor	81,437	6,573	-	-	**88,010**
Non-executive					
A M Howarth	25,000	-	-	-	**25,000**
M Dee	25,000	-	-	-	**25,000**
Total	**626,346**	**19,436**	**404,717**	**22,088**	**1,072,587**

	Salary £	Benefits £	Bonus £	Pension contribution £	**Total 2020 £**
Executive					
L T Hall	301,790	5,924	271,611	9,054	**588,379**
O C R Gilchrist	178,705	6,238	80,417	21,445	**286,805**
G J O'Connor	53,145	6,231	-	1,538	**60,914**
Non-executive					
A M Howarth	25,000	-	-	-	**25,000**
M Dee	25,000	-	-	-	**25,000**
Total	**583,640**	**18,393**	**352,028**	**32,037**	**986,098**

A M Howarth

Chairman of the Remuneration Committee

19 November 2021

Report of the Audit Committee

Membership and meetings of the Audit Committee

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

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

Role, responsibilities and terms of reference

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

The Audit Committee's responsibilities include:

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

Independence of external auditor

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

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

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

M Dee
Chairman of the Audit Committee
19 November 2021

Directors' Report

The Directors present their report, the strategic report and the audited financial statements of the Group for the year ended 30 September 2021.

Directors

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

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

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether, for the Group and Company, International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors confirm that:

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

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

Streamlined Energy and Carbon Reporting (SECR)

The Group has reached the thresholds for providing SECR disclosures for the first time this year. The Group is a service-based organisation with no manufacturing facilities and limited transportation requirements. As explained further below, each entity within the group is exempt from the disclosure requirements and consequently no overall SECR disclosures have been provided.

Cerillion Technologies Limited is excluded from the SECR requirements as it does not meet the reporting thresholds. Cerillion Inc. and Cerillion Technologies India Private Limited are also excluded from SECR requirements as they are overseas entities and are therefore not caught by the UK regulatory requirements; and Cerillion Plc is exempt from preparing the disclosure since it qualifies as being a low energy user (below 40,000 kWh per annum).

Directors' Report
Continued

Going concern

The Directors have assessed the current financial position of the Group and the Company, along with future cash flow requirements for a period in excess of 12 months from the date of signing the financial statements, to determine if the Group and the Company has the financial resources to continue as a going concern for the foreseeable future. Despite the challenges of the current pandemic, as set out in the strategic report, the Group continues to grow revenues, profits and cash flows and has a strong balance sheet and cash position. In respect of severe but plausible downside sensitivity, the Board has considered the effect of a material reduction in new sales made and delays in currently contracted receipts. The consequential forecasts still show sufficient headroom to meet all its liabilities as they fall due.

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

Financial risk management

Information relating to the Group's financial risk management is detailed in note 19 to the financial statements.

Research and development activities

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

The Group has expensed £395,731 (2020: £341,834) through the consolidated statement of comprehensive income during the year and has capitalised software development costs of £948,199 (2020: £1,088,365).

Strategic report

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

Subsequent events

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

Independent Auditors

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

APPROVED ON BEHALF OF THE BOARD

L T Hall
Director
19 November 2021

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements

Opinion

In our opinion, Cerillion plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 September 2021; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; the Principal accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements
Continued

Our audit approach

Overview

Audit Scope	• As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.
Key audit matters	• Software licence revenue recognition (group) • Capitalised development costs (group)
Materiality	• Overall group materiality: £260,700 (2020: £208,000) based on 1% of total revenue. • Overall company materiality: £201,200 (2020: £204,000) based on 1% of total assets. • Performance materiality: £195,500 (group) and £150,900 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The impact of COVID-19, which was a key audit matter last year, is no longer included because of the pandemic not having a significant impact on the group and company's operations. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Software licence revenue recognition (group) Software licence revenue includes the licensed product and related services (see note 2 of the financial statements). Software revenue recognition is considered a significant audit risk as there can be significant judgement required in determining the performance obligations within a contract and whether these performance obligations are considered distinct for purposes of revenue recognition. The conclusions on whether performance obligations are distinct impacts whether revenue for core licensed product is recognised at a point in time or over time based on the percentage of completion method. This method relies on the Group's internal measure of progress compared to total effort to complete the performance obligations and involves a high degree of estimation uncertainty. The judgement and estimates involved in determining distinct performance obligations and assessing the percentage of contract completion could materially affect the timing and quantum of revenue and profit recognised in each period.	Our audit response included the following: • Performing substantive tests of details, including agreeing elements to evidence of delivery and cash receipt, as applicable • Assessing management's historical ability to estimate using the percentage of completion method by performing a retrospective review • Considering the transparency and sufficiency of disclosures in the annual report Based on the work performed, as summarised above, we have concluded that software licence revenue recognition is appropriate.
Capitalised development costs (group) The Group capitalises eligible employment costs of its software developers, which are incurred on the development of its software products. In order to determine the amount of cost that should be capitalised, the Group must assess whether the cost meets the capitalisation criteria set out in the relevant accounting standards. Given the significant judgment involved in determining the amount to be capitalised and the value of amounts capitalised, this financial line item is susceptible to error and has been identified as a key audit matter.	Our audit response included the following: • Considering whether expected revenue to be generated supports the total costs to be capitalised • Determining whether projects met the criteria for recognition of internally developed intangible assets in accordance with IAS 38 • Performing tests of details on a sample basis, recalculating and agreeing amounts capitalised from the time and expenses system to payroll records Based on the work performed, as summarised above, we have concluded that amounts capitalised by the Group are materially appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Full scope audit procedures were performed over Cerillion plc and its wholly owned subsidiary Cerillion Technologies Limited.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements Continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£260,700 (2020: £208,000).	£201,200 (2020: £204,000).
How we determined it	1% of total revenue	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, revenue is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark	Based on the benchmarks used in the annual report and the nature of the company, total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £201,000 - £235,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £195,500 for the group financial statements and £150,900 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £13,000 (group audit) (2020: £10,400) and £10,060 (company audit) (2020: £9,200) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Critically assessing management's future cash flow forecast model and underlying key assumptions; and
- Performing stress testing of the group's cash flow forecast model to assess available liquidity after accounting for various sensitivities (such as reduced revenue and profitability).

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements
Continued

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of AIM regulations, General Data Protection Regulation (GDPR) and employment and tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent manipulation of the accounts (including risk of management override of controls). Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- conducting inquiries with management and those charged with governance around actual and potential litigations and claims;
- reviewing minutes of meetings of those charged with governance; and
- performing audit procedures over the risk of management override of controls, including journal entries testing, assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature of extent of audit procedures performed by us.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
19 November 2021

Principal Accounting Policies

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

Basis of preparation

The Company is a public limited company, which was incorporated in England and Wales on 5 March 2015. The address of its registered office is 25 Bedford Street, London, WC2E 9ES. The principal activity of the Group is the supply and development of telecommunication software solutions and equipment. These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are held at fair value. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

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

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

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

Going concern

The Directors have assessed the current financial position of the Group and the Company, along with future cash flow requirements for a period in excess of 12 months from the date of signing the financial statements, to determine if the Group and the Company has the financial resources to continue as a going concern for the foreseeable future. Despite the challenges of the current pandemic, as set out in the strategic report, the Group continues to grow revenues, profits and cash flows and has a strong balance sheet and cash position. In respect of severe but plausible downside sensitivity, the Board has considered the effect of a material reduction in new sales made and delays in currently contracted receipts. The consequential forecasts still show sufficient headroom to meet all its liabilities as they fall due.

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

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 30 September 2021. All subsidiaries have a reporting date of 30 September with the exception of the Indian subsidiary, which has a mandatory reporting date of 31 March. The Indian subsidiary is consolidated using its management accounts through to 30 September.

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

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

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

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

New and Revised Standards

IFRS in issue but not applied in the current financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS applied for the first time in the current financial statements

The Group has applied the following Standards and Amendments for the first time for their annual reporting period commencing 1 October 2020:

- Definition of material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 8; and
- Revised Conceptual Framework for Financial Reporting.

The Amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Segmental reporting

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

During the years ended 30 September 2021 and 30 September 2020, the Group was organised into four main business segments for revenue purposes:

- Services: relates to revenue from providing services to customers on new implementation projects and enhancements (see revenue recognition policy (i) and (iii) on page 31).
- Software: relates to support and maintenance revenue derived from people using the software as well as the licences to use the software (see revenue recognition policy (i) and (ii) on page 31).
- Software-as-a-Service: relates to monthly subscriptions for a managed service or to use products on a right to use basis (see revenue recognition policy (i) on page 31).
- Third-Party: relates to revenue derived from third-party services or licences, re-billable expenses and pass through of selling on hardware (see revenue recognition policy (iv) on page 32).

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

Foreign currency translation

(i) Functional and presentation currency

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

Principal Accounting Policies

Continued

(ii) Transactions and balances

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

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

(iii) Foreign operations

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

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

Revenue recognition

The Group enters into revenue arrangements with customers to provide standard licensed products (including installation, implementation, maintenance and support fees), additional licences, on-going account development work, and third-party time and materials, either individually or as part of an integrated offering of multiple services.

Contract existence and term

Certain criteria must be satisfied to recognise an arrangement as a revenue generating contract. Judgement arises when determining if an enforceable contract is in place. Where services are offered on a trial basis or the customer's ability and intention to pay are in doubt, no revenue arrangement is deemed to exist and any monies received will be recognised as a liability (deferred income). Revenue is recognised in accordance with policy when such time as a binding contract is in force or we have completed our obligations and no amounts received are refundable.

Promises to a customer

At inception of the contract, the Group assesses the products and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product or service (or bundle of products and services) that is distinct.

Judgement is required when determining which promises are distinct and which are not. Generally, the Group's products and services sold follow a prescribed treatment and are consistent across customers. However, this can vary by customer contract depending on the terms and conditions of the contract and requires evaluation of performance obligations for every contract.

Revenue to recognise: 'The transaction price'

Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes. When a contract includes a significant financing component as a result of payments made in arrears (i.e. typically milestone payments made after one-year from contract inception), the accounting effect of the adjustment for the financing component decreases the amount of revenue recognised with a corresponding increase to finance income as the Group has provided financing to the customer. The Group's contracts do not typically include variable consideration.

Allocation of revenue

Once the Group has determined the transaction price, the total transaction price is allocated to each performance obligation using a standalone selling price ('SSP') methodology. The standalone selling price is the observable price at which the Group sells a promised good or service separately to a customer, or the estimated standalone selling price where sufficient standalone sales do not exist. The standalone selling price is estimated using all information that is reasonably available and maximising observable inputs with approaches including historical pricing, industry practice or using a residual approach.

Recognising revenue

The Group recognises revenue when, or as, it satisfies a performance obligation by transferring control of the good or service to a customer. The judgement of when to recognise revenue is intrinsically linked to the performance obligation assessment because revenue can only be recognised when or as the distinct performance obligation is satisfied.

(i) Sale of standard licensed products

Revenue from standard licensed products comprises three elements, being:

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

The determination of whether initial licence and implementation fees represent distinct promises to customers is complex and requires consideration of whether the licensed product requires significant customer modification and whether the implementation process is complex. The Group does not typically provide upgrades or enhancements that are considered critical to the functionality of the licensed product over the initial term.

Where a licensed product is not modified to meet the specific requirements of each customer and follows a straightforward implementation profile, revenue is recognised at the point in time at which the customer has the ability and right to use all licences.

Where a licensed product requires significant customer modifications and implementation is complex, revenue is recognised over time, based on the percentage of completion method. This method relies on the Group's internal measure of progress compared to total effort to complete the modifications and implementation. Estimates are based on the total number of days performed on the project compared to the total number of days expected to complete the project. The estimate of the total number of days to complete a project is inherently judgemental and depends upon the complexity of the work being undertaken, the customisation being made to software and the customer environment being interfaced to. The scope of projects frequently change and most frequently in agreement with customer modifications. Consequently, the judgement of total estimate at completion is subjected to a high level of review at all stages in a project life cycle. Provision is made for any losses on the contract as soon as they are foreseen.

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

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

(ii) Sale of additional licences

Revenue from the sale of additional licences is recognised when the additional licences are delivered to the customer.

(iii) Ongoing account development work

Ongoing account development work is generally provided on a fixed price basis and as such revenue is recognised based on the percentage of completion method or upon delivery of the relevant project, in accordance with the identification of the distinct performance obligations within the arrangement. Where percentage of completion method is used, the estimate of the percentage completed is calculated in a consistent manner with estimates for bundled licensed arrangements. Provision is made for any losses as soon as they are foreseen.

Principal Accounting Policies

Continued

(iv) Third-party time, material works and re-billable expenses

Revenue on contracted third-party time and material works is recognised on a time basis using pre agreed day rates.

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

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

Existence of a significant financing component

When a contract includes a significant financing component as a result of payments to be made in arrears, the accounting effect of the financing component decreases the amount of revenue recognised with a corresponding increase to interest income as Cerillion is providing financing to the customer.

Contract costs

Incremental costs of obtaining a contract, principally sales commissions and agent fees, are capitalised if they are expected to be recovered. Incremental costs include only those costs that would not have been incurred if the contract had not been obtained. Contract costs are amortised over a period that is consistent with the pattern of transfer of the good or service to which the asset relates. Costs to fulfil a contract include professional services internal and external costs and any licence inputs purchased from third parties. These costs are capitalised where they relate to an identified specific contract, generate an asset for the Group and they will be recovered over the course of the contract.

Cost of sales

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

Taxation and deferred taxation

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

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

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

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

Leases

For any new contracts entered into on or after 1 October 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Cerillion, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Principal Accounting Policies
Continued

Subsequent to initial measurement, lease payments are allocated between principal, which reduces the liability, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The right-of-use assets and lease liabilities have been disclosed separately on the face of the Statement of Financial Position, within Non-current assets and across Current & Non-current liabilities respectively.

Impairment

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

Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value, which is generally the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Classification and subsequent measurement of financial liabilities

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

Trade payables

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

Interest-bearing loans and other borrowings

Interest-bearing loans and other borrowings are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Amortised cost is calculated by taking into account any issue costs, discount or premium. The difference between the proceeds (net of directly attributable transactions costs) and the redemption value is recognised in finance costs over the period of the borrowings.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Equity

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

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

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

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Cerillion plc, as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in equity attributable to the owners of Cerillion plc.

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

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

Provisions

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

Principal Accounting Policies

Continued

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

Property, plant and equipment ("PPE")

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

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

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

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

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

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

Intangible assets and amortisation

(i) Software (development expenditure & external software licences)

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

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

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

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

External software licence cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

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

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

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

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

Long-term employee benefits
Long-term employee benefits (long-term bonus and gratuity payments) are calculated annually by independent actuaries using the projected unit credit method. The remeasurements arising from changes in underlying assumptions are recognised immediately through profit or loss.

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

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

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

Principal Accounting Policies
Continued

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

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

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

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

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2021

	Notes	Year to 30 September 2021 £	Year to 30 September 2020 £
Revenue	2	**26,070,815**	20,813,925
Cost of sales		**(5,662,228)**	(5,465,710)
Gross profit		**20,408,587**	15,348,215
Operating expenses		**(12,884,572)**	(12,545,475)
Adjusted EBITDA*		**10,515,283**	5,805,645
Depreciation and amortisation		**(2,880,927)**	(2,934,178)
Share-based payment charge	22	**(110,341)**	(68,727)
Operating profit	3	**7,524,015**	2,802,740
Finance income	5	**66,810**	49,990
Finance costs	6	**(163,982)**	(214,142)
Profit before taxation		**7,426,843**	2,638,588
Taxation	7	**(999,748)**	(28,783)
Profit for the year		**6,427,095**	2,609,805
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		**(120,093)**	(165,075)
Total comprehensive income for the year		**6,307,002**	2,444,730
Earnings per share			
Basic earnings per share – continuing and total operations	10	**21.8 pence**	8.8 pence
Diluted earnings per share – continuing and total operations		**21.7 pence**	8.8 pence

All transactions are attributable to the owners of the parent.

The Group has no other recognised gains or losses for the current year.

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

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

Consolidated Statement of Financial Position

As at the year ended 30 September 2021

	Notes	2021 £	2020 £
ASSETS			
Non-current assets			
Goodwill	11	**2,053,141**	2,053,141
Other intangible assets	11	**3,571,787**	4,475,236
Property, plant and equipment	12	**758,670**	787,885
Right-of-use assets	13	**3,705,723**	4,389,175
Trade and other receivables	16	**2,015,422**	2,439,119
Deferred tax assets	15	**209,211**	145,060
		12,313,954	14,289,616
Current assets			
Trade and other receivables	16	**10,178,628**	9,516,568
Cash and cash equivalents	19	**13,174,471**	8,311,867
		23,353,099	17,828,435
TOTAL ASSETS		**35,667,053**	32,118,051
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**(394,850)**	-
Lease liabilities	13	**(3,866,352)**	(4,655,772)
Deferred tax liabilities	15	**(861,765)**	(883,823)
		(5,122,967)	(5,539,595)
Current liabilities			
Trade and other payables	17	**(9,390,933)**	(9,020,502)
Lease liabilities	13	**(947,710)**	(922,706)
Borrowings	18	**-**	(609,359)
		(10,338,643)	(10,552,567)
TOTAL LIABILITIES		**(15,461,610)**	(16,092,162)
NET ASSETS		**20,205,443**	16,025,889
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	21	**147,567**	147,567
Share premium account		**13,318,725**	13,318,725
Treasury stock	21	**(25)**	(375,025)
Share option reserve		**128,130**	151,619
Foreign exchange reserve		**(167,074)**	(46,981)
Retained earnings		**6,778,120**	2,829,984
TOTAL EQUITY		**20,205,443**	16,025,889

The financial statements on pages 28 to 67 were approved and authorised for issue by the Board of Directors on 19 November 2021.
Signed on behalf of the Board of Directors by:

L T Hall
Director
Company Number 09472870

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

Company Statement of Financial Position

As at the year ended 30 September 2021

	Notes	2021 £	2020 £
ASSETS			
Non-current assets			
Right-of-use assets	13	**3,162,079**	3,668,011
Investments in subsidiaries	14	**14,651,571**	14,651,571
		17,813,650	18,319,582
Current assets			
Trade and other receivables	16	**2,087,747**	1,948,226
Cash and cash equivalents		**227,008**	114,129
		2,314,755	2,062,355
TOTAL ASSETS		**20,128,405**	20,381,937
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	**(3,416,663)**	(4,012,028)
		(3,416,663)	(4,012,028)
Current liabilities			
Trade and other payables	17	**(199,705)**	(120,619)
Lease liabilities	13	**(731,000)**	(731,000)
Borrowings	18	**-**	(609,359)
		(930,705)	(1,460,978)
TOTAL LIABILITIES		**(4,347,368)**	(5,473,006)
NET ASSETS		**15,781,037**	14,908,931
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	21	**147,567**	147,567
Share premium account		**13,318,725**	13,318,725
Treasury stock	21	**(25)**	(375,025)
Share option reserve		**128,130**	151,619
Retained earnings		**2,186,640**	1,666,045
TOTAL EQUITY		**15,781,037**	14,908,931

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented the statement of comprehensive income for the Parent Company. The total comprehensive income for the year was £2,999,554 (2020: £3,000,000).

The financial statements on pages 28 to 67 were approved and authorised for issue by the Board of Directors on 19 November 2021. Signed on behalf of the Board of Directors by:

L T Hall
Director
Company Number 09472870

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

Consolidated Statement of Cash Flows

For the year ended 30 September 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the year	**6,427,095**	2,609,805
Adjustments for:		
Taxation	**999,748**	28,783
Finance income	**(66,810)**	(49,990)
Finance costs	**163,982**	214,142
Share option charge	**110,341**	68,727
Depreciation	**1,007,265**	1,058,169
Amortisation	**1,873,661**	1,876,009
	10,515,282	5,805,645
Increase in trade and other receivables	**(238,364)**	(1,412,938)
(Decrease)/increase in trade and other payables	**(84,435)**	2,501,200
Cash generated from operations	**10,192,483**	6,893,907
Finance costs	**(163,982)**	(214,142)
Finance income	**66,810**	49,990
Tax paid	**(293,076)**	(123,171)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**9,802,235**	6,606,584
Cash flows from investing activities		
Capitalisation of intangible assets	**(970,212)**	(1,108,473)
Purchase of property, plant and equipment	**(301,686)**	(330,098)
NET CASH USED IN INVESTING ACTIVITIES	**(1,271,898)**	(1,438,571)
Cash flows from financing activities		
Borrowings repaid	**(609,359)**	(1,161,587)
Purchase of treasury stock	**(512,500)**	(737,506)
Receipts from exercise of share options	**1,249**	195,395
Principal elements of finance leases	**(764,416)**	(411,653)
Dividends paid	**(1,726,538)**	(1,490,431)
NET CASH USED IN FINANCING ACTIVITIES	**(3,611,564)**	(3,605,782)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,918,773**	1,562,231
Translation differences	**(56,169)**	(21,770)
Cash and cash equivalents at beginning of year	**8,311,867**	6,771,406
CASH AND CASH EQUIVALENTS AT END OF YEAR	**13,174,471**	8,311,867

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

Company Statement of Cash Flows

For the year ended 30 September 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the year	**2,999,554**	3,000,000
Adjustments for:		
Taxation	**446**	-
Depreciation	**505,932**	505,932
Finance costs	**140,986**	184,945
Share option recharge to subsidiary	**110,341**	68,727
	3,757,259	3,759,604
Increase in trade and other receivables	**(139,521)**	(225,103)
Increase in trade and other payables	**78,640**	12,511
Cash generated from operations	**3,696,378**	3,547,012
Finance costs	**(140,986)**	(184,945)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**3,555,392**	3,362,067
Cash flows from financing activities		
Borrowings repaid	**(609,359)**	(1,161,587)
Purchase of treasury stock	**(512,500)**	(737,506)
Receipts from exercise of share options	**1,249**	195,395
Principal elements of finance leases	**(595,365)**	(222,972)
Dividends paid	**(1,726,538)**	(1,490,431)
NET CASH USED IN FINANCING ACTIVITIES	**(3,442,513)**	(3,417,101)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**112,879**	(55,034)
Cash and cash equivalents at beginning of year	**114,129**	169,163
CASH AND CASH EQUIVALENTS AT END OF YEAR	**227,008**	114,129

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

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

	Ordinary share capital £	Share premium £	Treasury stock £	Share option reserve £	Foreign exchange reserve £	Retained earnings £	Total £
Balance at 1 October 2019	**147,567**	**13,318,725**	**-**	**158,515**	**118,094**	**1,802,073**	**15,544,974**
Profit for the year	-	-	-	-	-	2,609,805	2,609,805
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(165,075)	-	(165,075)
Total comprehensive income	-	-	-	-	(165,075)	2,609,805	2,444,730
Transactions with owners:							
Share option charge	-	-	-	68,727	-	-	68,727
Purchase of treasury stock	-	-	(737,506)	-	-	-	(737,506)
Exercise of share options	-	-	362,481	(75,623)	-	(91,463)	195,395
Dividends	-	-	-	-	-	(1,490,431)	(1,490,431)
Total transactions with owners	-	-	(375,025)	(6,896)	-	(1,581,894)	(1,963,815)
Balance as at 30 September 2020	**147,567**	**13,318,725**	**(375,025)**	**151,619**	**(46,981)**	**2,829,984**	**16,025,889**

	Ordinary share capital £	Share premium £	Treasury stock £	Share option reserve £	Foreign exchange reserve £	Retained earnings £	Total £
Balance at 1 October 2020	**147,567**	**13,318,725**	**(375,025)**	**151,619**	**(46,981)**	**2,829,984**	**16,025,889**
Profit for the year	-	-	-	-	-	6,427,095	6,427,095
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(120,093)	-	(120,093)
Total comprehensive income	-	-	-	-	(120,093)	6,427,095	6,307,002
Transactions with owners:							
Share option charge	-	-	-	110,341	-	-	110,341
Purchase of treasury stock	-	-	(512,500)	-	-	-	(512,500)
Exercise of share options	-	-	887,500	(133,830)	-	(752,421)	1,249
Dividends	-	-	-	-	-	(1,726,538)	(1,726,538)
Total transactions with owners	-	-	375,000	(23,489)	-	(2,478,959)	(2,127,448)
Balance as at 30 September 2021	**147,567**	**13,318,725**	**(25)**	**128,130**	**(167,074)**	**6,778,120**	**20,205,443**

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

Company Statement of Changes in Equity

For the year ended 30 September 2021

	Ordinary share capital £	Share premium £	Treasury Stock £	Share option reserve £	Retained earnings £	Total £
Balance at 1 October 2019	**147,567**	**13,318,725**	**-**	**158,515**	**247,939**	**13,872,746**
Profit for the year	-	-	-	-	3,000,000	3,000,000
Total comprehensive income	-	-	-	-	3,000,000	3,000,000
Transactions with owners:						
Share option charge	-	-	-	68,727	-	68,727
Purchase of treasury stock	-	-	(737,506)	-	-	(737,506)
Exercise of share options	-	-	362,481	(75,623)	(91,463)	195,395
Dividends	-	-	-	-	(1,490,431)	(1,490,431)
Total transactions with owners	-	-	(375,025)	(6,896)	(1,581,894)	(1,963,815)
Balance as at 30 September 2020	**147,567**	**13,318,725**	**(375,025)**	**151,619**	**1,666,045**	**14,908,931**

	Ordinary share capital £	Share premium £	Treasury Stock £	Share option reserve £	Retained earnings £	Total £
Balance at 1 October 2020	**147,567**	**13,318,725**	**(375,025)**	**151,619**	**1,666,045**	**14,908,931**
Profit for the year	-	-	-	-	2,999,554	2,999,554
Total comprehensive income	-	-	-	-	2,999,554	2,999,554
Transactions with owners:						
Share option charge	-	-	-	110,341	-	110,341
Purchase of treasury stock	-	-	(512,500)	-	-	(512,500)
Exercise of share options	-	-	887,500	(133,830)	(752,421)	1,249
Dividends	-	-	-	-	(1,726,538)	(1,726,538)
Total transactions with owners	-	-	375,000	(23,489)	(2,478,959)	(2,127,448)
Balance as at 30 September 2021	**147,567**	**13,318,725**	**(25)**	**128,130**	**2,186,640**	**15,781,037**

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

Notes to the Financial Statements

For the year ended 30 September 2021

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

1 (a) Critical accounting estimates and judgements

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

Judgements

(i) Capitalisation of development costs

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

(ii) Revenue recognition

The Group assesses the products and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product or service (or bundle of products and services) that is distinct. This assessment is performed on a contract by contract basis and involves significant judgement. The determination of whether performance obligations are distinct or not affects the timing and quantum of revenue and profit recognised in each period.

Estimates

(i) Revenue recognition

For contracts where goods or services are transferred over time, revenue is recognised in line with the percentage completed in terms of effort to date as a percentage of total forecast effort. Total forecast is prepared by project managers on a monthly basis and reviewed by the project office and senior management team on a monthly basis. The forecast requires management to be able to accurately estimate the effort required to complete the project and affects the timing and quantum of revenue and profit recognised on these contracts in each period.

(ii) Impairment of non-financial assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill is subject to an annual impairment test. An impairment loss is recognised in the Group statement of comprehensive income to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and its value in use.

(iii) Depreciation and amortisation

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

(iv) Calculation of future minimum lease payments

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ("IBR") to discount future minimum lease payments. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Management has considered the above areas of estimation and concluded that there are no deemed material changes arising from changes in underlying assumptions.

1 (b) Other sources of estimation uncertainty

(i) Recoverability of trade debtors and accrued income

Management use their judgement when determining whether trade debtors and accrued income are considered recoverable or where a provision for impairment is considered necessary. The assessment of recoverability will include consideration of whether the balance is with a long-standing client, whether the customer is experiencing financial difficulties, the fact that balances are recognised under contract and that the products sold are mission-critical to the customer's business. Refer to notes 16 and 19.

(ii) Recoverability of intercompany receivables (Parent Company only)

Management use their judgement when determining whether intercompany receivables are considered recoverable or where a provision for impairment is considered necessary. The assessment of recoverability will include consideration of the nature of the activity within the subsidiary, the trading performance and position of the subsidiary and how the subsidiary will make repayment. No impairment provisions were required in relation to intercompany receivables in the current or preceding year.

(iii) Recoverability of investments in subsidiaries (Parent Company only)

Management assess the performance and position of subsidiaries annually to determine whether there is any indication that any of the investments in subsidiaries might be impaired. There was no indication of impairment of the investments in subsidiaries at the current or preceding year end.

2. Segment information

The Group continues to be organised into four main business segments for revenue purposes.

Under IFRS 8 there is a requirement to show the profit or loss for each reportable segment and the total assets and total liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision-maker. There are no other material items that are separately presented to the chief operating decision-maker.

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

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

	2021 £	2020 £
Revenue		
Services	**11,863,628**	11,326,196
Software	**11,340,625**	6,657,289
Software-as-a-Service	**2,057,655**	984,518
Third-party	**808,907**	1,845,922
Total revenue	**26,070,815**	20,813,925

The following table provides a reconciliation of the revenue by segment to the revenue recognition accounting policy as outlined on pages 31 and 32. Revenue recognised on performance obligations partially satisfied in previous periods was £12,703,901 (2020: £12,994,913).

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

Year ended 30 September 2021	£	Accounting policies (i) £	(ii) £	(iii) £	(iv) £	Total £
Services	**11,863,628**					
implementation fees		5,386,613	-	-	-	5,386,613
ongoing account development work		-	-	6,477,015	-	6,477,015
Software	**11,340,625**					
initial licence fees		3,839,508	-	-	-	3,839,508
sale of additional licences		-	910,787	-	-	910,787
ongoing maintenance and support fees		6,590,330	-	-	-	6,590,330
Software-as-a-Service	**2,057,655**	2,057,655	-	-	-	2,057,655
Third-Party	**808,907**	-	-	-	808,907	808,907
Total	**26,070,815**	17,874,106	910,787	6,477,015	808,907	26,070,815

Year ended 30 September 2020	£	Accounting policies (i) £	(ii) £	(iii) £	(iv) £	Total £
Services	**11,326,196**					
implementation fees		7,528,326	-	-	-	7,528,326
ongoing account development work		-	-	3,797,870	-	3,797,870
Software	**6,657,289**					
initial licence fees		1,449,647	-	-	-	1,449,647
sale of additional licences		-	151,752	-	-	151,752
ongoing maintenance and support fees		5,055,890	-	-	-	5,055,890
Software-as-a-Service	**984,518**	984,518	-	-	-	984,518
Third-Party	**1,845,922**	-	-	-	1,845,922	1,845,922
Total	**20,813,925**	15,018,381	151,752	3,797,870	1,845,922	20,813,925

(a) Geographical information

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

	Europe £	MEA £	Americas £	Asia Pacific £
Year ended 30 September 2021				
Revenue – by customer location	18,729,415	2,052,625	3,478,079	1,810,696
Capital expenditure	1,218,040	-	-	53,858
Non-current assets	11,371,807	-	-	942,147
Total assets	34,104,087	-	-	1,562,966
Net assets	20,250,312	-	-	(44,869)

	Europe £	MEA £	Americas £	Asia Pacific £
Year ended 30 September 2020				
Revenue – by customer location	13,478,228	508,667	3,283,377	3,543,653
Capital expenditure	1,417,080	-	-	21,491
Non-current assets	13,301,609	-	-	988,007
Total assets	30,552,219	-	-	1,565,832
Net assets	15,789,432	-	-	236,457

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

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

	Operating segment	2021 £	2020 £
Customer			
No. 1	Europe	**5,195,842**	104,432
No. 2	Europe	**2,708,264**	4,483,638
No. 3	Asia Pacific	**1,133,089**	2,822,605

3. Operating profit

	2021 £	2020 £
Operating profit is stated after (crediting)/charging:		
Employee benefits expenses (note 4)	**12,602,628**	11,923,335
Depreciation	**1,007,265**	1,058,169
Amortisation of intangibles	**1,873,662**	1,876,009
Research and development costs	**395,731**	341,834
Bad debt expense	**226,852**	178,983
Foreign exchange losses	**494,903**	323,083
Operating leases	**125,834**	126,265
Fees payable to Cerillion's principal auditor:		
- Audit of Cerillion plc's annual financial statements	**13,000**	8,400
- Audit of subsidiaries	**73,000**	62,600
- Non-audit services – tax services	**38,430**	20,000
Fees payable to associates of principal auditor:		
- Audit of subsidiaries	**7,500**	7,500
Other costs	**1,687,995**	2,085,007
Total cost of sales and operating expenses	**18,546,800**	18,011,185

4. Directors and employees

Group	2021 £	2020 £
Employee costs (including Directors):		
Wages and salaries	**11,290,025**	10,759,392
Social security costs	**881,904**	782,035
Share-based payments	**110,341**	68,727
Payments into defined contribution pension schemes	**320,358**	313,181
	12,602,628	11,923,335

	2021 Number	2020 Number
The average number of employees (including Directors) during the year was made up as follows:		
Management and administration	**27**	28
Sales and marketing	**18**	18
Support and development staff	**202**	184
Executive Directors	**3**	3
Non-executive Directors	**2**	2
	252	235

The Company's employees comprise the five Directors only (2020: 5). For details of Directors' remuneration, refer to the Remuneration report on pages 15 to 17. Key management personnel is covered in note 24.

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

5. Finance income

	2021 £	2020 £
Finance income:		
Bank interest receivable	**1,855**	5,949
Unwinding discount of contracts with significant financing component	**64,955**	44,041
	66,810	49,990

6. Finance costs

	2021 £	2020 £
Finance costs:		
Interest payable in respect of loans	**(5,347)**	(38,414)
Interest and finance charges for lease liabilities	**(158,341)**	(174,476)
Other interest payable	**(294)**	(1,252)
	(163,982)	(214,142)

7. Taxation

(a) Analysis of tax charge for the year

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

	2021 £	2020 £
Current tax expense - UK	**799,160**	-
Current tax expense - overseas	**293,076**	123,170
Current tax expense - total	**1,092,236**	123,170
Deferred tax credit	**(92,336)**	(56,323)
Deferred tax - adjustment in respect of prior year	**(152)**	(38,064)
Deferred tax credit – total	**(92,488)**	(94,387)
Total tax charge	**999,748**	28,783

(b) Factors affecting total tax for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the United Kingdom of 19.0% (2020: 19.0%). The differences are explained as follows:

Profit on ordinary activities before tax	**7,426,843**	2,638,588
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2020: 19.0%)	**1,411,100**	501,333
Effect of:		
Expenses not deductible for tax purposes	**219,344**	353,342
Non-taxable income for tax purposes	**(180,158)**	(386,800)
Difference in tax rates	**64,625**	107,942
Other temporary differences	**28,310**	-
Foreign tax – other	**78,760**	-
Prior year tax adjustment	**(152)**	(38,064)
Other permanent differences – relating to share options	**(168,464)**	(97,054)
Enhanced relief for research and development	**(453,617)**	(411,916)
Total tax charge	**999,748**	28,783

There are currently no recognised or unrecognised deferred tax assets or liabilities within the Parent Company financial statements. There has been a change in the future tax rates to 25%, which has been used to calculate the deferred tax balances.

8. Profit attributable to Cerillion plc

The profit for the financial year of the Parent Company, Cerillion plc was £2,999,554 (2020: £3,000,000). As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Parent Company.

9. Dividends

(a) Dividends paid during the reporting period

The Board paid the final dividend in respect of 2020 of 3.75p per share, on 9 February 2021, and declared and paid an interim 2021 dividend of 2.1p (2020: 1.75p) per share on 18 June 2021. Total dividends paid during the reporting period were £1,726,538 (2020: £1,490,431).

(b) Dividends not recognised at the end of the reporting period

Since the year end the Directors have proposed the payment of a dividend in respect of the full financial year of 5.00p per fully paid Ordinary Share (2020: 3.75p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 September 2021, but not recognised as a liability at the year end is £1,475,674 (2020: £1,106,756). Since the year end the Directors of Cerillion Technologies Limited have approved a £3.0 million dividend to Cerillion plc.

10. Earnings per share

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

	2021	2020
Profit attributable to equity holders of the Company (£)	**6,427,095**	2,609,805
Weighted average number of Ordinary Shares in issue (number)	**29,513,486**	29,513,486
Less weighted average number of shares held in Treasury	**(30,149)**	(9,911)
Weighted average number of Ordinary Shares in issue (number)	**29,483,337**	29,503,575
Effect of share options in issue	**105,886**	309,223
Weighted average shares for diluted earnings per share	**29,589,223**	29,812,798
Basic earnings per share (pence per share)	**21.8**	8.8
Diluted earnings per share (pence per share)	**21.7**	8.8

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

11. Intangible assets

Group	Goodwill £	Purchased customer contracts £	Intellectual property rights £	Software development costs £	External software licences £	Total £
Cost						
At 1 October 2019	2,053,141	4,382,654	2,567,160	3,217,427	-	12,220,382
Additions	-	-	-	1,088,365	20,108	1,108,473
Reclassification*	-	-	-	-	210,345	210,345
At 30 September 2020	2,053,141	4,382,654	2,567,160	4,305,792	230,453	13,539,200
Additions	-	-	-	948,198	22,014	970,212
At 30 September 2021	**2,053,141**	**4,382,654**	**2,567,160**	**5,253,990**	**252,467**	**14,509,412**
Amortisation						
At 1 October 2019	-	2,191,326	1,283,580	1,481,569	-	4,956,475
Provided in the year	-	626,093	366,737	864,960	18,219	1,876,009
Reclassification*	-	-	-	-	178,339	178,339
At 30 September 2020	-	2,817,419	1,650,317	2,346,529	196,558	7,010,823
Provided in the year	-	626,093	366,737	856,530	24,301	1,873,661
At 30 September 2021	**-**	**3,443,512**	**2,017,054**	**3,203,059**	**220,859**	**8,884,484**
Net book amount at 30 September 2021	**2,053,141**	**939,142**	**550,106**	**2,050,931**	**31,608**	**5,624,928**
Net book amount at 30 September 2020	2,053,141	1,565,235	916,843	1,959,263	33,895	6,528,377

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

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

Using an average market share price of Cerillion plc for the year ended 30 September 2021, less an estimate of costs to sell, there is significant headroom above the carrying value of the cash-generating unit and therefore no impairment exists. The calculations show that a reasonably possible change, as assessed by the Directors, would not cause the carrying amount of the CGU to exceed its recoverable amount.

* The Company's external software licences were previously presented as tangible assets in the balance sheet. However, management has assessed that these assets are not closely linked to underlying hardware and can be used independently, the cost and accumulated amortisation of those was reclassified to intangible assets.

12. Property plant and equipment

Group	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 October 2019	738,863	1,446,318	304,332	2,489,513
Additions	-	326,954	3,144	330,098
Disposals	-	(91,053)	(3,141)	(94,194)
Reclassification*	-	(210,345)	-	(210,345)
Exchange difference	(26,115)	(15,496)	(9,684)	(51,295)
At 30 September 2020	712,748	1,456,378	294,651	2,463,777
Additions	33,040	263,611	5,035	301,686
Disposals	-	(105,325)	-	(105,325)
Exchange difference	(14,932)	(9,944)	(5,558)	(30,434)
At 30 September 2021	**730,856**	**1,604,720**	**294,128**	**2,629,704**
Depreciation				
At 1 October 2019	267,045	1,146,984	222,278	1,636,307
Provided in the year	67,509	224,572	57,977	350,058
Disposals	-	(91,053)	(3,140)	(94,193)
Reclassification*	-	(178,339)	-	(178,339)
Exchange difference	(16,011)	(12,907)	(9,023)	(37,941)
At 30 September 2020	318,543	1,089,257	268,092	1,675,892
Provided in the year	67,344	232,232	24,237	323,813
Disposals	-	(105,325)	-	(105,325)
Exchange difference	(10,058)	(7,999)	(5,289)	(23,346)
At 30 September 2021	**375,829**	**1,208,165**	**287,040**	**1,871,034**
Net book amount at 30 September 2021	**355,027**	**396,555**	**7,088**	**758,670**
Net book amount at 30 September 2020	394,205	367,121	26,559	787,885

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

As referred to in note 18 the Group's loan was secured over all the assets of the Group.

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

* The reclassification is explained in note 11.

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

13. Leases

Group

This note provides information for leases where the Group is a lessee. The Group leases offices in London and India, along with some IT equipment.

(i). amounts recognised in the consolidated and company statements of financial position

The consolidated and company statements of financial position shows the following amounts relating to leases:

	Group		Company	
Right-of-use assets	**30 September 2021 £**	30 September 2020 £	**30 September 2021 £**	30 September 2020 £
Properties	**3,705,723**	4,383,327	**3,162,079**	3,668,011
IT Equipment	**-**	5,848	**-**	-
	3,705,723	4,389,175	**3,162,079**	3,668,011

	Group		Company	
Lease liabilities	**30 September 2021 £**	30 September 2020 £	**30 September 2021 £**	30 September 2020 £
Current	**947,710**	922,706	**731,000**	731,000
Non-current	**3,866,352**	4,655,772	**3,416,663**	4,012,028
	4,814,062	5,578,478	**4,147,663**	4,743,028

Additions to the right-of-use assets during the 2021 financial year were £nil (2020:£nil).

(ii). amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**30 September 2021 £**	30 September 2020 £
Properties	**677,604**	677,606
IT Equipment	**5,848**	30,505
	683,452	708,111
Interest expense (included in finance cost)	**158,341**	174,476
Expense relating to short-term leases (included in operating expenses)	**120,674**	120,797
Expenses relating to low value assets that are not shown above as short-term leases (included in operating expenses)	**5,160**	5,468

The total cash outflow for leases in 2021 was £922,757 (2020: £586,132).

The property within the Company had a depreciation charge for the year of £505,932 (2020: £505,932).

14. Investments in subsidiaries

At 30 September 2021 the Company's subsidiary undertakings, all of which have been included in the Group financial statements, were:

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

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

** includes holdings held indirectly through Cerillion Inc

*** For the purpose of the Group financial statements for the year ended 30 September 2021, management accounts have been drawn up to 30 September 2021.

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

The Company	Investments in subsidiary undertakings £
Cost and net book value:	
As at 1 October 2019	14,651,571
Additions	-
As at 30 September 2020	14,651,571
Additions	-
As at 30 September 2021	**14,651,571**

15. Deferred tax

Deferred tax asset

Group	Accelerated capital allowances £	Other temporary differences £	Total £
1 October 2019	21,053	112,525	133,578
Foreign exchange movement on opening deferred tax asset	(3,273)	(7,887)	(11,160)
Credited to statement of comprehensive income	622	22,020	22,642
30 September 2020	**18,402**	**126,658**	**145,060**

Group	Accelerated capital allowances £	Other temporary differences £	Total £
1 October 2020	18,402	126,658	145,060
Foreign exchange movement on opening deferred tax asset	833	(7,112)	(6,279)
Credited to statement of comprehensive income	1,755	68,675	70,430
30 September 2021	**20,990**	**188,221**	**209,211**

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

Deferred tax liability

Group

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

	2021 £	2020 £
At 1 October	**883,823**	955,569
Debited to statement of comprehensive income in respect of net ACAs & other temporary differences	**166,580**	47,394
Credited to statement of comprehensive income in respect of acquisitions	**(188,638)**	(119,140)
As at 30 September	**861,765**	883,823

There are no deferred tax assets or deferred tax liabilities recognised within the Parent Company as at 30 September 2021 (2020: £nil).

16. Trade and other receivables and other contract balances

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Group	
	2021 £	2020 £
Trade receivables	**1,697,958**	2,687,472
Contract assets	**9,709,419**	8,494,767
Contract liabilities	**4,775,174**	5,084,999

Contract assets, which are included in 'Accrued income' within trade and other receivables and are composed of the current and non-current balances. Contract liabilities, which are included in 'Deferred income' within trade and other payables.

Payment terms and conditions in customer contracts may vary. In some cases, customers pay in advance of the delivery of solutions or services; in other cases, payment is due as services are performed or in arrears following the delivery of the solutions or services. Differences in timing between revenue recognition and invoicing result in trade receivables, contract assets or contract liabilities in the statement of financial position.

Contract assets refer to accrued income and arise when revenue is recognised, but invoicing is contingent on performance of other performance obligations or on completion of contractual milestones. Contract assets are transferred to receivables when the rights become unconditional, typically upon invoicing of the related performance obligations in the contract or upon achieving the requisite project milestone.

Contract liabilities refer to deferred income and result from customer payments in advance of the satisfaction of the associated performance obligations and relate primarily to prepaid support or other recurring services. Deferred income is released as revenue is recognised.

Significant changes in the contract assets and contract liabilities balances during the period are driven by the timing of income recognition and when associated invoices are raised. Specifically, revenue recognised in the year in relation to deferred income brought forward from prior year of £4,700,894 (2020: £3,003,462).

When certain costs to acquire a contract meet defined criteria, those costs are deferred as contract assets. The total amount of deferred contract assets (commission fees recognised in prepaid assets) are £209,762 (2020: £86,599). The total amount of accrued costs to acquire a contract are £242,916 (2020: £203,629).

The total amount of revenue allocated to unsatisfied performance obligations is £34,853,478 (2020: £25,102,075). It is estimated that 75% will be recognised over the next 18 months, the remainder over the following year thereafter.

There are no contract balances within the Parent Company (2020: £nil).

	Group		Company	
Current receivables	2021 £	2020 £	2021 £	2020 £
Trade receivables	1,697,958	2,687,472	-	-
Accrued income	7,763,748	6,055,648	-	-
Amounts owed by Group undertakings	-	-	2,079,936	1,908,131
Other receivables	235,981	366,875	-	32,029
Prepayments	480,941	406,573	7,811	8,066
	10,178,628	9,516,568	2,087,747	1,948,226

	Group		Company	
Non-current receivables	2021 £	2020 £	2021 £	2020 £
Accrued income	1,945,671	2,439,119	-	-
Other receivables	69,751	-	-	-
	2,015,422	2,439,119	-	-

The amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Credit quality of receivables

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

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

Group	2021 £	2020 £
Trade receivables	2,121,287	3,015,131
ECL reserve	(423,329)	(327,659)
	1,697,958	2,687,472

The Parent Company had no trade receivables in either period.

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

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

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

Group	2021 £	2020 £
Not past due	1,104,013	2,065,185
Up to 3 months	463,995	395,178
3 to 6 months	102,174	51,771
Older than 6 months	27,776	175,338
	1,697,958	2,687,472

Of the trade debt older than 6 months as at 30 September 2021, being £27,776 (2020: £175,338), cash of £nil (2020: £122,471) has been received since the year end.

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

Group	2021 £	2020 £
Not past due	141,696	-
Up to 3 months	219,203	98,324
3 to 6 months	29,574	39,682
Older than 6 months	32,856	189,653
	423,329	327,659

17. Trade and other payables

	Group		Company	
Current trade and other payables	2021 £	2020 £	2021 £	2020 £
Trade payables	490,055	736,157	59,081	53,539
Taxation	799,160	-	446	-
Other taxation and social security	421,847	551,990	74,227	-
Pension contributions	46,383	42,232	-	-
Other payables	519,171	481,391	-	250
Accruals	2,339,143	2,123,733	65,951	66,830
Deferred income	4,775,174	5,084,999	-	-
	9,390,933	9,020,502	199,705	120,619

	Group		Company	
Non-current trade and other payables	2021 £	2020 £	2021 £	2020 £
Other payables	394,850	-	-	-

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

The non-current other payable above relates to provisions for gratuity and long-term bonuses within the Indian subsidiary.

Gratuity - The Indian subsidiary, Cerillion Technologies India Private Limited, provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972 . The unfunded plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. There is a vesting condition of five years of service for benefit payment.

Long-term bonus - The employees (Band II, III and IV only) are eligible for a loyalty bonus at 20% of annual total fixed pay as at the end of the third year, 10% of annual total fixed pay as at the end of four and half years and 10% of annual total fixed pay as at the end of the sixth year provided they are employed with the Indian subsidiary, Cerillion Technologies India Private Limited, for at least three years/four and half years/six years, as the case maybe, after completion of probationary period. The Group's liability is actuarially determined at the end of each year. Actuarial losses/gains are recognised in the Statement of Comprehensive Income in the year in which they arise.

The actuarial assumptions relating to the above provisions are outlined below:

	Gratuity		Long-term bonus	
	2021	2020	2021	2020
Discount rate	**6.20%**	6.10%	**5.10%**	5.10%
Salary increment rate	**15.00%**	7.50%	**15.00%**	7.50%
Withdrawal rate	**15.00%**	15.00%	**15.00%**	15.00%

The mortality rates assumed in the calculation for the Gratuity and Long-term bonus are based on the Indian Assured Lives Mortality (2012-14) ultimate ("IALM ult").

Management have considered sensitivities to changes in the key assumptions above and concluded that there are unlikely to be any material impacts arising from reasonable changes in these assumptions.

18. Borrowings and financial liabilities

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Current liabilities:				
Secured loans	**-**	609,359	**-**	609,359
Lease liabilities	**947,710**	922,706	**731,000**	731,000
Non-current liabilities:				
Lease liabilities	**3,866,352**	4,655,772	**3,416,663**	4,012,028
	4,814,062	6,187,837	**4,147,663**	5,352,387

18a Terms and repayment schedule

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

The Loan was secured over the assets of the Group and was drawn down in full in March 2016. The terms and conditions of the outstanding loans in the prior year and at the start of the current period were as follows:

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

Group and Company	Non-current Borrowings £	Current Borrowings £	Total £
1 October 2020	-	609,359	609,359
Cash-flows:			
Repayment	-	(609,359)	(609,359)
30 September 2021	**-**	**-**	**-**

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

Group and Company	Non-current Borrowings £	Current Borrowings £	Total £
1 October 2019	570,946	1,200,000	1,770,946
Cash-flows:			
Repayment	-	(1,161,587)	(1,161,587)
Non-cash:			
Reclassification	(570,946)	570,946	-
30 September 2020	**-**	**609,359**	**609,359**

Group	Non-current Lease liabilities £	Current Lease liabilities £	Total £
1 October 2020	4,655,772	922,706	5,578,478
Cash-flows:			
Repayment	-	(922,757)	(922,757)
Accrued interest	-	158,341	158,341
Non-cash:			
Reclassification	(789,420)	789,420	-
30 September 2021	**3,866,352**	**947,710**	**4,814,062**
1 October 2019	-	-	-
Recognised on adoption of IFRS 16	5,408,004	582,127	5,990,131
1 October 2019 post adoption of IFRS 16	5,408,004	582,127	5,990,131
Cash-flows:			
Repayment	-	(586,132)	(586,132)
Accrued interest	-	174,479	174,479
Non-cash:			
Reclassification	(752,232)	752,232	-
30 September 2020	**4,655,772**	**922,706**	**5,578,478**

Company	Non-current Lease liabilities £	Current Lease liabilities £	Total £
1 October 2020	4,012,028	731,000	4,743,028
Cash-flows:			
Repayment	-	(731,004)	(731,004)
Accrued interest	-	135,639	135,639
Non-cash:			
Reclassification	(595,365)	595,365	-
30 September 2021	**3,416,663**	**731,000**	**4,147,663**
1 October 2019	-	-	-
Recognised on adoption of IFRS 16	4,600,500	365,500	4,966,000
1 October 2019 post adoption of IFRS 16	4,600,500	365,500	4,966,000
Cash-flows:			
Repayment	-	(369,504)	(369,504)
Accrued interest	-	146,532	146,532
Non-cash:			
Reclassification	(588,472)	588,472	-
30 September 2020	**4,012,028**	**731,000**	**4,743,028**

19. Financial instruments and risk management

Group Financial instruments by category	2021 £	2020 £
Financial assets - measured at amortised cost		
Non-current		
Accrued income	1,945,671	2,439,119
Other receivables	69,751	-
	2,015,422	2,439,119
Current		
Trade and other receivables	1,933,939	3,054,347
Accrued income	7,763,748	6,055,648
Cash and cash equivalents	13,174,471	8,311,867
	22,872,158	17,421,862

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

Financial liabilities - held at amortised cost	2021 £	2020 £
Non-current		
Trade and other payables	394,850	-
Lease liabilities	3,866,352	4,655,772
	4,261,202	4,655,772
Current		
Current borrowings	-	609,359
Lease liabilities	947,710	922,706
Trade and other payables	1,009,226	1,217,548
Pension costs	46,383	42,232
Accruals	2,339,143	2,123,733
	4,342,462	4,915,578

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

Company Financial instruments by category	2021 £	2020 £
Financial assets - measured at amortised cost		
Current		
Amounts owed by Group undertakings & other receivables	2,079,936	1,940,160
Cash and cash equivalents	227,008	114,129
	2,306,944	2,054,289

Financial liabilities - held at amortised cost	2021 £	2020 £
Non-current		
Lease liabilities	3,416,663	4,012,028
	3,416,663	4,012,028
Current		
Current borrowings	-	609,359
Lease liabilities	731,000	731,000
Trade and other payables	59,081	53,789
Accruals	65,951	66,830
	856,032	1,460,978

Notes to the Financial Statements
For the year ended 30 September 2021
Continued

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

There were no derivative financial instruments in existence as at 30 September 2021 (2020: £nil).

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

Credit quality of financial assets
The credit quality of financial assets can be assessed by reference to external credit ratings (S&P) (if available) or to historical information about counterparty default rates:

	2021 £	2020 £
Trade receivables		
Group 1	838	295,153
Group 2	1,628,518	2,274,277
Group 3	68,602	118,042
	1,697,958	2,687,472

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

At the year end there are 5 customers (2020: 6 customers) with trade receivable balances each representing in excess of 5% of the total trade receivables of £1,697,958 (2020: £2,687,472). Of these customers, none are categorised within Group 1 (2020: 1), 5 are within Group 2 representing 78% of total trade receivables (2020: 5 customers), with none in Group 3 (2020: none).

There are no trade receivables within the Parent Company.

	2021 £	2020 £
Cash at bank and short-term deposits		
A1	13,172,172	8,309,074
Not rated	2,299	2,793
	13,174,471	8,311,867

A1 rating means that the risk of default for the investors and the policy holder is deemed to be very low.

Not rated balances relate to petty cash amounts. All cash within the Parent Company is within the A1 category.

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

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

As at 30 September 2021 the Group had no forward foreign exchange contracts in place (2020: none) to mitigate exchange rate exposure arising from forecast income in US Dollars, Australian Dollars and Euros.

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

	AUD	USD	EUR	INR	DKK	BND
30 September 2021						
Financial assets	361,918	2,395,709	1,355,140	898,789	2,151,192	413,787
Financial liabilities	-	(87,411)	(5,389)	(546,586)	-	-
Total exposure	**361,918**	**2,308,298**	**1,349,751**	**352,203**	**2,151,192**	**413,787**

	AUD	USD	EUR	INR	DKK	BND
30 September 2020						
Financial assets	374,834	3,117,456	2,202,588	722,885	2,845,424	729,482
Financial liabilities	-	(101,187)	(40,063)	(509,071)	-	-
Total exposure	**374,834**	**3,016,269**	**2,162,525**	**213,814**	**2,845,424**	**729,482**

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

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

30 September 2021	AUD	USD	EUR	INR	DKK	BND
Loss for the year	**(32,902)**	**(209,845)**	**(122,705)**	**(32,018)**	**(195,563)**	**(37,617)**
Equity total	**(32,902)**	**(209,845)**	**(122,705)**	**(32,018)**	**(195,563)**	**(37,617)**

30 September 2020	AUD	USD	EUR	INR	DKK	BND
Loss for the year	(34,076)	(274,206)	(196,593)	(19,438)	(258,675)	(66,317)
Equity total	(34,076)	(274,206)	(196,593)	(19,438)	(258,675)	(66,317)

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

30 September 2021	AUD	USD	EUR	INR	DKK	BND
Gain for the year	**40,213**	**256,478**	**149,972**	**39,134**	**239,021**	**45,976**
Equity total	**40,213**	**256,478**	**149,972**	**39,134**	**239,021**	**45,976**

30 September 2020	AUD	USD	EUR	INR	DKK	BND
Gain for the year	41,648	335,141	240,281	23,757	316,158	81,054
Equity total	41,648	335,141	240,281	23,757	316,158	81,054

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

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

Market Risk – cash flow interest rate risk

Cerillion had outstanding borrowing within the Group and Company, as disclosed in note 18.

These were loans taken out with HSBC to facilitate the purchase of shares prior to the Admission on AIM and have now been repaid.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's cash at bank and short-term deposits is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates, £nil for 30 September 2021 as the bank loans have been repaid. All other variables are held constant.

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
30 September 2021	**nil**	**nil**	**nil**	**nil**
30 September 2020	(11,621)	13,101	(11,621)	13,101

Liquidity risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 September 2021				
Lease liabilities	926,303	931,919	2,427,264	913,750
Trade and other payables	4,615,759	394,850	-	-
30 September 2020				
Borrowings	614,793	-	-	-
Lease liabilities	913,473	936,879	2,651,816	1,644,750
Trade and other payables	3,935,503	-	-	-

Capital risk management

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

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

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

The capital structure consists of the Group's debt facility and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. As of the year ended 30 September 2021 the Group's total managed capital amounted to £20,205,443 (2020: £16,635,248); Company's capital as of 30 September 2021 was £15,781,037 (2020: £15,518,290).

20. Fair value measurement of financial instruments

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

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

There were no derivative financial instruments in existence nor any other financial instruments measured at fair value on a recurring basis at 30 September 2021 (2020: £nil).

There were no transfers between Level 1 and Level 2 in 2021 or 2020 and no derivative financial instruments within the Group.

Measurement of fair value of financial instruments

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

21. Share capital

	2021 £	2020 £
Issued, allotted, called up and fully paid:		
29,513,486 (2020: 29,513,486) Ordinary Shares of 0.5 pence	**147,567**	147,567

The Ordinary Shares have been classified as Equity. The Ordinary Shares have attached to them full voting and capital distribution rights. The Company does not have an authorised share capital.

At the beginning of the year the Group held 125,012 shares in Treasury Stock. In October 2020 125,000 of these shares were issued on the exercise of share options. In March 2021, the Company acquired 125,000 of its own shares in the market, at £4.10 per share, to be held as Treasury Stock to be used to satisfy the exercise of share options. In May 2021 125,000 of these shares were issued on the exercise of share options. At the year end there were 12 shares (2020: 125,012 shares remaining in Treasury Stock) at an average cost of £2.10 per share (2020: £3.00).

22. Share-based payments

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

A new Save as You Earn ("SAYE") share option scheme and a new Long-Term Incentive Plan ("LTIP") were introduced in 2021. A charge of £110,341 (2020: £68,727) has been reflected in the consolidated statement of comprehensive income, with the corresponding entry recognised within the share option reserve.

Notes to the Financial Statements

For the year ended 30 September 2021

Continued

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

Year of grant Scheme	2021 SAYE	2021 LTIP	2019 SAYE
Exercise price (£)	5.92	0.005	1.092
Number of options granted	71,000	75,000	132,917
Vesting period (years)	3 years	3 to 6 years	3 years
Option life (years)	3.5 years	3 to 6 years	3.5 years
Risk free rate	0.16%	1.00%	0.50%
Volatility	35%	83%	41%
Dividend yield	3.00%	1.5% to 3%	3.00%
Fair value (£)	2.03	15.20	0.43

The share option schemes are issued by the Parent Company, therefore the disclosures within this note cover the Group and Parent Company, the share-based payment expense is recharged to Cerillion Technologies Limited as this is where the option holders are employed.

In October 2020 half of the LTIP share options brought forward, being options over 125,000 shares, were exercised, with the second half of the LTIP share options, also being options over 125,000 shares, exercised in May 2021 with Treasury Shares being used to settle all of the options exercised. In the prior year Share options relating to the SAYE 2017 were exercised, with Treasury Shares being used to settle the options exercised.

During the year options were granted as summarised in the table below:

	2021 Number of Options	2021 Weighted average exercise price £	2020 Number of Options	2020 Weighted average exercise price £
Outstanding at start of year	382,912	0.38	555,522	0.62
Granted	146,000	2.88	-	-
Expired	-	-	-	-
Exercised	(250,000)	(0.005)	(172,610)	(1.13)
Outstanding at 30 September	278,912	2.03	382,912	0.38
Exercisable at 30 September	-	-	-	-

23. Retirement benefits

The Group operates a group personal contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £320,358 (2020: £313,181). At the year end the contributions payable to the scheme were £46,383 (2020: £42,232).

24. Related party transactions

(i) Remuneration of Key Management Personnel

The Group and Company consider that the Directors are their key management personnel and further detail of their remuneration is disclosed in the Remuneration report for 2021.

No key personnel other than the Directors have been identified in relation to the year ended 30 September 2021 (2020: none).

(ii) Related party transactions

The aggregate dividends paid to Directors during the year were £545,585 (2020: £610,310).

No other related party transactions took place during the year (2020: none).

25. Charge over assets

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

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

26. Contingent assets / liabilities

The Group has no contingent assets or liabilities as at 30 September 2021 (2020: nil).

27. Subsequent events

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

28. Ultimate controlling party

In the opinion of the Directors, there was no ultimate controlling party at 30 September 2021 or 30 September 2020.

Notes

Notes

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