cerillion

Cerillion plc

Annual Report and Accounts 2017

Company Information

Company registration number:	09472870
Registered office:	25 Bedford Street London WC2E 9ES
Directors:	O C R Gilchrist L T Hall G J O'Connor A M Howarth M Dee
Secretary:	O C R Gilchrist
Bankers:	HSBC Jersey HSBC House St Helier Jersey JE1 1HS
Solicitors:	Orrick, Herrington & Sutcliffe (Europe) LLP 107 Cheapside London EC2V 6DN
Nominated Adviser:	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker:	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Auditor:	Grant Thornton UK LLP Registered Auditor Chartered Accountants 30 Finsbury Square London EC2P 2YU

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Overview

About Cerillion

Cerillion is a leading provider of mission critical software for billing, charging and CRM, with an 18 year track record in providing comprehensive revenue and customer management solutions. The Company has 81 customer installations across 43 countries, principally serving the telecommunications market, but also utilities and financial services.

Led by a highly experienced management team, the Company is headquartered in London and has operations in Pune, India, where its Global Solutions Centre is located, and in Sydney and Miami. Cerillion's CEO, Louis Hall, led the management buyout from Logica plc in 1999.

Cerillion plc

Cerillion plc acquired Cerillion Technologies Limited on 18 March 2016, in conjunction with the completion of its IPO on AIM. The table below summarises the highlights for Cerillion plc, reflecting trading for the full year to 30 September 2017 and for the period from 18 March 2016 to 30 September 2016. Prior to 18 March 2016, Cerillion plc had no trading activity.

In addition, the table includes full year trading highlights for Cerillion Technologies Limited, Cerillion (India) pvt and Cerillion Inc (collectively, CTL Group), for the year to 30 September 2017 and the year to 30 September 2016. These are provided to give a clearer picture of the year-on-year trading activity of the underlying Group[1].

	Cerillion plc		CTL Group	
	2017 £'000 Audited	2016 £'000 Audited	**2017 £'000 Unaudited**	2016 £'000 Unaudited
Revenue	**16,033**	8,365	**16,033**	14,810
Key revenue streams[2]:				
Services	**7,284**	5,359	**7,284**	8,688
Software & Software-as-a-Service	**7,901**	2,615	**7,901**	5,315
Recurring revenue	**4,448**	2,196	**4,448**	4,059
New orders	**13,496**	6,478	**13,496**	10,797
Back order book	**13,147**	9,285	**13,147**	9,285
Profit before tax	**1,995**	239	**2,395**	2,083
Add back: - IPO costs	**-**	746	**-**	-
- Amortisation of acquired intangibles	**993**	497	**80**	80
- Fair value loss on forward contracts	**-**	121	**-**	121
Adjusted profit before tax[3]	**2,988**	1,603	**2,475**	2,284
Employee numbers:				
Onshore	**84**	83	**79**	79
India	**87**	79	**87**	78
Total	**171**	162	**166**	157

Highlights

Cerillion plc, the billing, charging and customer relationship management software solutions provider, presents its annual results for the 12 months ended 30 September 2017.

Financial:

- Strong results reflecting buoyant software revenue growth
- Revenue up by 8.3% to £16.0m (annualised 2016: £14.8m)
  - extension of contracts with existing customers made a strong contribution to software sales
- Recurring revenue[5] up by 9.6% to £4.4m
  - c. 28% of total revenues
- Back order book[6] stood at £13.1m (2016: £9.3m) – up 40.8%
- EBITDA up by 17.8% to £3.6m (annualised 2016: £3.1m)
  - EBITDA margin up to 22.6% (annualised 2016: 20.7%)
- Adjusted profit before tax up by 8.4% to £2.5m (annualised 2016: £2.3m)
- Earnings per share of 6.9p (annualised 2016: 1.3p)
- Cerillion Technologies Limited earnings per share of 7.9p (2016: 6.8p[7])
- Proposed final dividend of 2.8p per share, bringing the total dividend for the year to 4.2p per share (2016: 3.9p) - growth of 7.7%

Operational:

- Two large new Enterprise customer wins in Europe
- A further four new customers signed for Skyline, Cerillion's cloud billing solution
- New Enterprise Product Catalogue module introduced
- Included in the 'Visionaries' quadrant of the Gartner Magic Quadrant for Integrated Revenue and Customer Management for CSPs for the 2nd consecutive year
- Outlook for continuing progress remains very positive

Louis Hall, CEO of Cerillion, commented:

"I am pleased to present our second set of full year results as an AIM-quoted Company. Cerillion has continued to make strong progress, and I am delighted not just with the substantial rise in software revenues, but also the progress we have made with margins, aided by licence extensions with existing customers.

"Cerillion continues to generate significant revenues from its existing customer base and we have additionally secured contracts with a number of major new customers. We believe the Company's inclusion in the 'Visionaries' quadrant of the Gartner Magic Quadrant for Integrated Revenue and Customer Management for CSPs for the second year in a row is an indication of the quality of our offering and the importance we place on customer service.

"As we go into the 2018 financial year, we remain very positive about prospects for Cerillion's continuing progress, underpinned by a strong pipeline of prospects across EMEA, Asia Pacific and Americas."

Notes

Note 1 Cerillion plc acquired Cerillion Technologies Limited on 18 March 2016 in conjunction with the completion of its IPO on AIM. Prior to 18 March 2016, Cerillion plc had no trading activity. Consequently, save for the dividend, earnings per share and net assets information, the 2017 results and comparative 2016 figures reported in these highlights and in the Chairman and Chief Executive Officer's Report are based on the unaudited CTL Group proforma consolidated figures which include Cerillion Technologies Limited and its subsidiaries (Cerillion (India) pvt and Cerillion Inc). Financial Information for Cerillion plc, is extracted from the audited year end IFRS accounts.

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

Note 3 Adjusted profit before tax is calculated after adding back IPO costs, unrealised fair value movement on forward exchange contracts and amortisation of acquired intangible assets.

Note 4 Revenue derived from software licence, support and maintenance, SaaS and managed services sales.

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

Note 6 Back order book consists of £9.0m of sales contracted but not yet recognised at the end of the reporting period plus £4.1m of annualised support and maintenance revenue. It is anticipated that 75% of the £9.0m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 4 to 5 quarters.

Note 7 Based on earnings for Cerillion Technologies Limited for the current and comparative period and the total number of Cerillion plc shares in issue as at 30 September 2017 and 30 September 2016 respectively.

Chairman and Chief Executive Officer's Report

Introduction

Cerillion plc was admitted to trading on AIM on 18 March 2016, towards the end of the first half of its financial year ended 30 September 2016, and we are now very pleased to report the Group's results for the second year as a publicly quoted company.

The CTL Group business is well established, and has an 18 year track record of providing mission critical software for billing, charging and customer relationship management ("CRM"), predominantly to the telecommunications market, but also to the utilities and financial services sectors.

We are continuing to drive growth in our core telecoms market, where demand for billing and charging solutions is growing, driven by technological and regulatory change. At the same time, we are also seeking to develop in new market sectors, supported by our new Software-as-a-Service ("SaaS") billing product, Cerillion Skyline, which facilitates billing and the collection of payments from any type of subscription or usage-based service.

We are pleased to report that Cerillion has continued to make good progress over the second half of its financial year and that results are in line with market expectations. Revenue has increased year-on-year by 8.3% to £16.0m, whilst EBITDA is up by 17.8% to £3.6m and adjusted profit before tax is up by 8.4% to £2.5m. All year-on-year comparisons are with the unaudited full year 2016 numbers for the CTL Group.

These encouraging results have been supported by strong demand from our established customer base, as well as implementations for new customers in Europe.

Financial Overview

CTL Group Proforma Consolidated Income Statement — for the year ended 30 September 2017

	Year to 30 September 2017 £'000 Unaudited	Year to 30 September 2016 £'000 Unaudited
Revenue	**16,033**	14,810
Cost of sales	**(3,815)**	(4,019)
Gross profit	**12,218**	10,791
Administrative expenses	**(8,601)**	(7,719)
EBITDA	**3,617**	3,072
Depreciation and amortisation	**(1,109)**	(872)
Operating profit	**2,508**	2,200
Finance costs	**(118)**	(123)
Finance income	**5**	6
Profit before taxation	**2,395**	2,083
Taxation	**(61)**	(74)
Profit for the year	**2,334**	2,008

Adjusted profit before taxation:	2017 £'000 Unaudited	2016 £'000 Unaudited
Profit before taxation	**2,395**	2,083
Add back:		
Amortisation of acquired intangibles	**80**	80
Unrealised fair value movement on forward exchange contracts	-	**121**
Adjusted profit before taxation	**2,475**	2,284

Adjusted operating profit:	£'000	£'000
Operating profit	**2,508**	2,200
Add back:		
Amortisation of acquired intangibles	**80**	80
Adjusted operating profit	**2,588**	2,280

Total revenue for the year to 30 September 2017 rose by 8.3% to £16.0m (2016: £14.8m). Our existing customer base typically drives a very high proportion of total annual income, and established customers (those acquired at least 12 months before the beginning of the reporting period) generated 81% of total revenue in the year (2016: 93%). The reduction in the proportion of revenue derived from our existing customer base was lower in 2017 due to a larger contribution from implementation work with new customers.

A significant part of the Group's revenues continues to be underpinned by recurring income, which is derived from support and maintenance and managed service contracts. Recurring revenues accounted for 28% of the Group's income (2016: 27%), having risen by 10% year-on-year to £4.4m (2016: £4.1m).

Our revenue streams are broadly divided into three segments: software revenue, which principally comprises software licence sales, and support and maintenance sales; services revenue, which is generated by software implementations and other services work; and revenues from other activities, mainly the reselling of third party products.

- Software revenue rose by 49% to £7.9m (2016: £5.3m), aided by the completion of licence extensions with existing customers, and accounted for 49% of total revenues (2016: 36%).
- Services revenue decreased by 16% to £7.3m (2016: £8.7m) and constituted 45% of total revenue (2016: 59%). The decrease was largely due to more focus in 2017 on new customer implementations, where a significant proportion of revenue is derived from licence income.
- Third party income remained constant at £0.8m (2016: £0.8m) and comprised 5% of total revenue (2016: 5%).

Administrative expenses increased by 11% to £8.6m (2016: £7.7m) and included personnel costs at £4.7m (2016: £4.5m).

Adjusted operating profit increased by 14% to £2.6m (2016: £2.3m), mainly driven by the increase in total revenue. The charge for amortisation of R&D costs was £0.8m (2016: £0.5m). The increase was due to continued investment in our product set, including investment in our cloud billing platform, Cerillion Skyline. Expenditure on tangible fixed assets was £0.2m (2016: £0.3m).

Adjusted profit before tax rose by 8.4% to £2.5m (2016: £2.3m) and adjusted earnings per share was 7.9p (2016: 6.8p[5]).

Chairman and Chief Executive Officer's Report
Continued

Cash Flow and Banking

Net cash as at 30 September 2017 stood at £1.6m (2016: £0.4m), with total Group cash at £5.3m (2016: £5.0m) and total debt at £3.7m (2016: £4.6m).

Dividend

In line with the Company's dividend policy of paying out between a third to half of the Group's free cash flow every year, subject to the Group's performance, the Board is pleased to propose a final dividend of 2.8p per share (2016: 2.6p). Together with the interim dividend of 1.4p per share (2016: 1.3p), this brings the total dividend for the year to 4.2p per share (2016: 3.9p).

The dividend will become payable on 7 February 2018 to those shareholders on the Company's register as at the close of business on the record date of 5 January 2018. The ex-dividend date is 4 January 2018.

Operational Overview

We have continued to make good progress with our core solution, the Group's pre-integrated Enterprise BSS/OSS suite, which includes our real-time, Convergent Charging System ("CCS"). Across our product suite, new orders were up 25% over the year to £13.5m (2016: £10.8m). All of these new customer orders are now under way, and provide Cerillion with increased revenue visibility for the new financial year and beyond.

Typically, because our implementation projects are governed by long term, high value contracts, the business enjoys a high level of revenue visibility through both its back order book and its annualised support revenue. At the year end, the combined value of annualised support revenue and the back order book - which consists of unperformed, contracted work under purchase orders and contracted work that is still subject to the receipt of purchase order – rose by 40.8% to £13.1m (2016: £9.3m).

We began work on two major new customer implementations during the year. The first of these was with Scarlet, a quad-play service provider operating in the Belgian market, which is a subsidiary of Proximus, a major European telco. Cerillion is migrating Scarlet from its current, legacy systems to Cerillion's pre-integrated, billing, charging and CRM product suite, in order to support Scarlet's on-going growth and to help it to respond to customer demand for the next generation of convergent services and real-time service control. A key factor in Scarlet's selection of Cerillion was the advanced capability provided by our CCS module. We also began a major new implementation with a wholesale telecoms operator in Europe, where we will also provide our pre-integrated billing, charging and CRM product suite. The new platform will enable this customer to manage the provision of services to its retail partners.

As in 2016, CCS continues to be a key driver for new sales of our software solutions as it enables communications service providers ("CSPs") to converge prepaid and postpaid charging and billing on the same software platform. This provides significant cost savings and performance-related benefits to customers, as well as the flexibility to support multiple service types. CCS can be deployed in many ways too, including as a standalone charging engine, as a replacement for legacy prepaid systems, or as an integral part of Cerillion's core end-to-end billing and CRM solution.

We won four new customers for Cerillion Skyline, our Software-as-a-Service billing solution. Skyline enables businesses to bill and collect recurring revenue from subscription and usage-based services, and over time, we expect to expand our addressable market, both within the telecoms sector and in new industry verticals with this product. The cloud (SaaS) delivery model provides many advantages for our customers, including faster and lower cost implementation, easier integration, continuous product updates, and greater flexibility in launching new services. New customers signed up this year include a UK-based B2B telecoms provider, an established Scandinavian fibre broadband company, a specialist HR software vendor and a smart advertising platform start-up.

We continue to invest across our solutions, making further improvements to Cerillion Skyline, CCS and our other modules. During the year, as planned, we brought our new Enterprise Product Catalogue module to the market, which enhances our ability to manage the increasingly complex product and service bundles that our customers need to succeed in their markets.

After the period end, on 23 October 2017, we were delighted to be designated in the "Visionaries" quadrant of Gartner's newly published report, "Magic Quadrant for Integrated Revenue and Customer Management ("IRCM") for CSPs". This is the fourth consecutive year that Cerillion has been included in this annual review of IRCM vendors and the second year that we have been designated in the "Visionaries" quadrant. Gartner's Magic Quadrant report evaluates vendors across a broad range of criteria, including product strategy, sales & marketing strategies, innovation and client references, and companies are positioned according to "completeness of vision" and "ability to execute". Gartner evaluated both Cerillion Enterprise and Cerillion Skyline, and we believe our designation reflects the Company's growing stature and reputation as a leading IRCM vendor. In addition to this, we were pleased to see that Cerillion was the highest rated supplier in the Integrated Revenue and Customer Management (IRCM) CSPs market, based on six customer reviews, as of 21 November 2017, on the Gartner Peer Insights platform for its Enterprise BSS/OSS Suite[8].

Outlook

We remain very positive about the outlook for the Group and are pursuing a strong pipeline of prospects across EMEA, Asia Pacific and the Americas. We therefore believe that Cerillion remains well-positioned for continuing progress over the new financial year.

A M Howarth
Non-executive Chairman
24 November 2017

L T Hall
Chief Executive Officer
24 November 2017

Notes

Note 8 Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

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Gartner Peer Insights reviews constitute the subjective opinions of individual end-users based on their own experiences, and do not represent the views of Gartner or its affiliates.

Strategic Report

The Directors present their strategic report for the year ended 30 September 2017.

Financial overview

The Group's results for the year comprise the results for the Company plus a full year of trading of the Cerillion Technologies Limited Group. The Group's results for the year ended 30 September 2016 comprise the additional costs incurred since 30 September 2015 in relation to the IPO on AIM plus the post-acquisition trade of the Cerillion Technologies Limited Group. Revenue for the year totals £16,032,976 (2016 post acquisition: £8,364,774), generating a gross profit of £12,218,488 (2016: £6,102,075). The Group generated a profit after tax of £2,022,679 (2016: £306,968).

In order to better understand the underlying trade of the Group, the Chairman and Chief Executive Officer's report includes a proforma consolidated CTL Group income statement.

Business review

The review of the year-on-year trade relating to CTL 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:

	Cerillion plc		CTL Group	
	2017 £'000 Audited	2016 £'000 Audited	**2017 £'000 Unaudited**	2016 £'000 Unaudited
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Profit before tax	**1,995**	239	**2,395**	2,083
Add back: - IPO costs	**-**	746	**-**	-
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Employee numbers:				
Onshore	**84**	83	**79**	79
India	**87**	79	**87**	78
Total	**171**	162	**166**	157

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 accounts.

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

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

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

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

The Group services customers in 43 countries and, in the year ended 30 September 2017, 88% (2016: 83%) 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.

Changes in demand in the telecoms industry could 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 customers' reduction in demand for telecoms services. Any reduction in customer expenditure could have an adverse effect on the Group's business, financial condition and results of operations.

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

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

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

** Adjusted profit before tax is calculated after adding back IPO costs, unrealised fair value movement on forward exchange contracts and amortisation of acquired intangible assets.

Strategic Report
Continued

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.

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.

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:	2017	2016	2015
Number 1	**22.7%**	28.8%	13.1%
Top 5	**59.3%**	60.5%	53.0%
Top 10	**83.6%**	81.7%	79.4%
Top 20	**95.2%**	96.0%	96.2%

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

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

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

Shareholder information

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

This report is approved by the Board on 24 November 2017 and signed on its behalf by:

L T Hall
Chief Executive Officer

Corporate Governance Report

The Company's Ordinary Shares are traded on AIM, therefore the Company is not required to and does not comply with all aspects of the UK Corporate Governance Code. Nonetheless, the Directors recognise that it is in the best interests of the Company and its Shareholders to follow the UK Corporate Governance 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.

The UK Corporate Governance Code provides that the board of directors of a UK public company should include an appropriate combination of executive and non-executive directors. Except in the case of smaller companies, at least half the board, excluding the Chairman, should comprise independent non-executive directors. The board should determine whether a director is independent in character and judgement, and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement, taking into account the criteria of independence defined in the UK Corporate Governance Code and the guidance in the NAPF AIM Policy.

The Directors support high standards of corporate governance. The Company's Board currently comprises three Executive Directors and two Non-executive Directors. The Chairman and the other Non-executive Director are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

The Directors have adopted terms of reference for and have formed an Audit Committee, a Nominations Committee and a Remuneration Committee. In accordance with the NAPF AIM Policy, a majority of the members of the Audit Committee, Remuneration Committee and Nominations Committee are independent non-executive directors. The UK Corporate Governance Code requires that a majority of the members of the Nominations Committee should be independent non-executive directors. It also requires that the Audit Committee and the Remuneration Committee comprise at least three (or in the case of small companies, two) independent non-executive directors. The Company fully complies with these requirements.

The UK Corporate Governance Code recommends that the Board should appoint one of its independent non-executive directors to be the Senior Independent Director ("SID") to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. The SID should be available to shareholders if they have concerns that contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate. The Company's SID is Mike Dee.

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

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

The Nominations Committee comprises Alan Howarth and Mike Dee, both of whom are independent Non-executive Directors, and will be chaired by Alan Howarth. The Nominations Committee meets when appropriate and considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board.

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 will normally meet not less than twice a year and has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including senior management), including annual bonuses, the eligibility requirements for benefits under long-term incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Executive Directors, including pension rights, contracts of employment and any compensation payments.

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

Board of Directors

The Group is run by its Board of Directors, which currently has five members, including two Non-executive Directors, and meets regularly. The Non-executive Directors make a valuable contribution by bringing a breadth of business and relevant professional experience to the Board.

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.

Alan Miles Howarth, Non-executive Chairman (aged 72 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 16 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 53 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 53 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 54 years)

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

Mike Dee, Non-executive Director (aged 62 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 in April 2011, he was 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.

Report of the Remuneration Committee

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

Composition and role of the Remuneration Committee

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

Framework and policy on Executive Directors' remuneration

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

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

Basic salary

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

Incentive arrangements

Annual discretionary bonuses

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

Long-term incentive awards

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

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

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

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

Report of the Remuneration Committee
Continued

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

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

There is no charge recognised in the current year financial statements in respect of either the LTIP or SAYE scheme, as they are not material.

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

The remuneration of each Director during the years ended 30 September 2017 and 30 September 2016 are detailed in the tables below:

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

	Salary* £	Benefits* £	Bonus** £	Pension contribution* £	Total 2016 £
Executive					
L T Hall	145,451	2,439	124,000	17,454	289,344
O C R Gilchrist	96,374	2,703	38,750	10,443	148,270
G J O'Connor	121,120	2,555	-	13,770	137,445
Non-executive					
A M Howarth	13,320	-	-	-	13,320
M Dee	13,320	-	-	-	13,320
Total	**389,585**	**7,697**	**162,750**	**41,667**	**601,699**

* The Salary, Benefits and Pension contribution represents the amounts in relation to the period from acquisition on 18 March 2016 to 30 September 2016.

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

A M Howarth
Chairman of the Remuneration Committee
24 November 2017

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
24 November 2017

Directors' Report

The Directors present their Report, the Strategic Report and the audited financial statements of the Group for the year ended 30 September 2017.

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 parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

Directors' Report
Continued

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

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

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

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

The Group has incurred £303,849 (2016: £172,978) through the consolidated statement of comprehensive income during the year and has capitalised software development costs of £850,000 (2016: £601,111).

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

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

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

ON BEHALF OF THE BOARD

L T Hall
Director
24 November 2017

Independent Auditor’s Report to the members of Cerillion plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Cerillion plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 30 September 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2017 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or the Parent Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

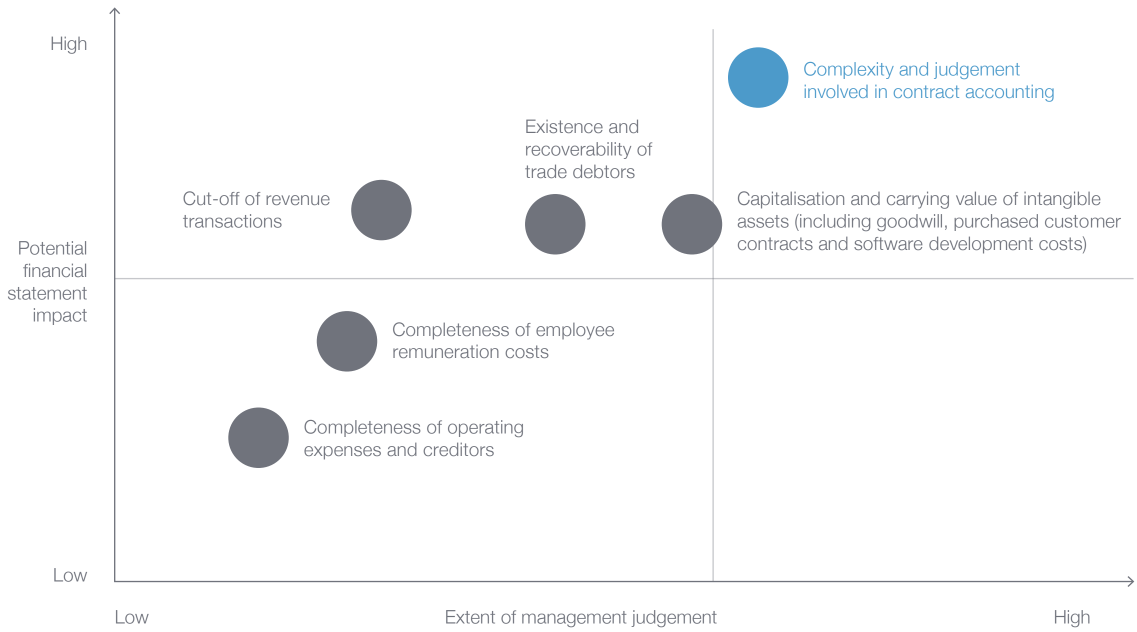
Independent Auditor's Report to the members of Cerillion plc
Continued

Overview of our audit approach

- Overall group materiality: £160,000 which represents 1% of the Group's revenue;
- The Group key audit matter identified was the complexity and judgement involved in contract accounting in revenue recognition;
- We have performed a comprehensive audit of Cerillion Technologies Limited, a targeted audit approach for Cerillion Technologies India Private Limited and an analytical review for Cerillion Inc.

Key audit matters

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



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

Key Audit Matter - Group

The complexity and judgement involved in contract accounting in revenue recognition

Revenue for all revenue streams (implementation, enhancement, support and maintenance) is recognised in accordance with the Group's accounting policy and International Accounting Standard (IAS) 18 – Revenue, which requires a significant amount of management's nderlying earnings before interest, taxes, depreciation and amortisation (EBITDA) and profit before tax (PBT), which are the primary financial KPI's for the Group.

Therefore, we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement (whether due to fraud or error).

How the matter was addressed in the audit - Group

Our audit work included, but was not restricted to the following procedures:

For implementation and enhancement revenue, we have tested management's processes and controls in determining the percentage completion on projects by testing a sample of Effort Status Reports (ESRs), tracing the input data per the ESR to underlying approved time sheets, and testing the control that all ESRs were appropriately reviewed by the Project Office Manager and the Chief Financial Officer and approved by management through physical signature by the Chief Financial Officer. We then tested a sample of contracts by agreeing revenue recognised to contractual terms and percentage completion reports to test that the recognition criteria was appropriately applied, placing greater emphasis on significant and new contracts, with particular attention to percentage of completion and performance obligations being achieved. We also assessed management's judgements and assumptions in applying revenue recognition policy in contract accounting treatment.

For support and maintenance revenue, we developed a precise expectation of revenues for the year and investigated any variances outside of expectations. We obtained corroborating evidence for management explanations.

The Group's accounting policy on revenue recognition is shown in the Principal Accounting Policies and related disclosures are included in notes 1 and 3.

Key observations

Our testing did not identify any significant deficiencies in the operation of controls which would require us to amend the nature or scope of our planned detailed testing. Overall, based on our audit work, our assessment is the estimates applied in determining the level of revenue resulted in consistent levels of revenue recognised in the Income Statement and unbilled revenue within the Statement of Financial Position. We found no material errors in the calculations.

Independent Auditor's Report to the members of Cerillion plc

Continued

Our application of materiality

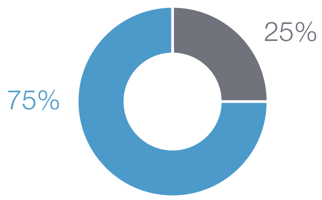
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£160,000 which is 1% of total revenues. This benchmark is considered the most appropriate because revenue is a primary key performance indicator and is a key determinant in the earnings before interest, taxes, depreciation and amortisation and profit before tax figures. Materiality for the current year is £61,000 higher than the level that we determined for the year ended 30 September 2016 and this reflects the full year of operations since the acquisition of Cerillion Technologies Limited in March 2016.	Materiality is based on 2% of net assets, capped to 90% of Group materiality, which is £144,000. This benchmark is considered the most appropriate as the parent entity has minimal trade and primarily holds debt and investments in subsidiaries. Materiality for the current year is £55,000 higher than the level that we determined for the year ended 30 September 2016, given the reasoning for the increase in Group materiality as the Parent entity's materiality was capped to 90% of the Group materiality in 2016 as well.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Audit Committee	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

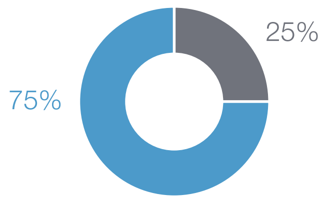
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality - group



■ Tolerance for potential uncorrected misstatements
■ Performance materiality

Overall materiality - parent



■ Tolerance for potential uncorrected misstatements
■ Performance materiality

An overview of the scope of our audit

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

- Planning meetings with management to gain an update on the business and trade during the year, as well as leveraging our knowledge of the business from past audits.
- Interim visit and test of controls – after planning discussions with management, we spent time on site in August 2017, where we were able to complete our assessment of significant contracts and test controls surrounding the determination of the percentage complete by contract.
- We have performed a comprehensive audit for Cerillion plc and Cerillion Technologies Limited, a targeted audit approach for Cerillion Technologies India Private Limited and an analytical review for Cerillion Inc.
- The operations that were subject to targeted audit procedures made up 10% of underlying profit before tax. The operations that were subject to comprehensive audit procedures made up 100% of consolidated revenues and 90% of profit before tax.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 20, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Independent Auditor’s Report to the members of Cerillion plc

Continued

Matters on which we are required to report by exception

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

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

Responsibilities of Directors for the financial statements

As explained more fully in the Directors’ responsibilities statement set out on page 19 to 20, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Marc Summers, BSc(Hons) FCA

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 November 2017

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 a supplier and developer of telecommunication software solutions and equipment. In the prior year the principal activity was to act as a platform to acquire the entire issued share capital of Cerillion Technologies Limited for the purpose of admission to AIM. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and IFRIC interpretations endorsed by the European Union (EU). The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are held at fair value.

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.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

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

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

Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 September 2017. 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.

Principal Accounting Policies
Continued

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

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

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

New and Revised Standards

IFRS in issue but not applied in the current financial statements

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

- IFRS 9, 'Financial instruments', effective date 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018
- IFRS 16, 'Leases', effective date 1 January 2019
- Disclosure Initiative: Amendments to IAS 7: Statement of Cash Flows (effective: 1 January 2017, but not yet adopted by the EU)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective: 1 January 2017, but not yet adopted by the EU).

The above standards are yet to be subject to a detailed review. IFRS 9 will impact both the measurement and disclosure of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of leases currently treated as operating leases. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

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 year ended 30 September 2017 (2016: since the acquisition of Cerillion Technologies Limited), 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.
- Software: relates to support and maintenance revenue derived from people using the software as well as the licences to use the software.
- Software-as-a-Service: relates to monthly subscriptions for a managed service or to use products on a pay-as-you-go service.
- 3rd Party: relates to revenue derived from 3rd party services or licences, re-billable expenses and pass through of selling on hardware.

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

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Foreign operations

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

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

Principal Accounting Policies
Continued

Revenue recognition

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

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

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

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

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

(i) Sale of standard licensed products

Revenue from standard licensed products comprises two elements, being:

- initial licence and implementation fees ("inception fees")
- ongoing maintenance and support fees,

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

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

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

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

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

(ii) Sale of additional licences

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

(iii) Ongoing account development work

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

(iv) Third party 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.

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.

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 are not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Operating leases

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

Impairment

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

Principal Accounting Policies
Continued

Cash and cash equivalents

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

Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

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

Derivative financial instruments

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

Loans and receivables

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

Trade and other receivables

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

Classification and subsequent measurement of financial liabilities

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

Trade payables

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

Borrowings

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

Equity

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

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

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

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

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

Provisions

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

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

Property, plant and equipment (PPE)

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

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

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

- Leasehold Improvements   Life of lease
- Fixtures and fittings   3 – 4 years
- Computer Equipment   3 years

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

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

Principal Accounting Policies

Continued

Intangible assets and amortisation

(i) Software

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

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

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

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

Computer software development costs recognised as assets are amortised 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 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 over a period of seven years.

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 represent the contributions payable by Cerillion for the accounting years in respect of the schemes.

Exceptional items

Exceptional items are those significant items, and are one off items, that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions that were recorded as exceptional items during the prior year were the costs associated with the IPO of Cerillion plc.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2017

	Notes	Year to 30 September 2017 £	Year to 30 September 2016 £
Revenue	2	**16,032,976**	8,364,774*
Cost of sales		**(3,814,488)**	(2,262,699)
Gross profit		**12,218,488**	6,102,075
Administrative expenses		**(8,602,252)**	(4,209,334)
Depreciation and amortisation		**(1,507,927)**	(714,250)
Operating profit before exceptional items		**2,108,309**	1,178,491
Exceptional item - IPO costs		-	(746,055)
Operating profit	3	**2,108,309**	432,436
Finance income	5	**4,611**	6,059
Finance costs	6	**(117,569)**	(199,559)
Profit before taxation		**1,995,351**	238,936
Taxation	7	**27,328**	68,032
Profit for the year		**2,022,679**	306,968
Other comprehensive income			
Exchange difference on translating foreign operations		**(38,026)**	145,913
Total comprehensive profit for the year		**1,984,653**	452,881
Earnings per share			
Basic earnings per share – continuing and total operations	10	**6.9 pence**	1.3 pence
Diluted earnings per share – continuing and total operations		**6.8 pence**	1.3 pence

All transactions are attributable to the owners of the parent.
The Group has no other recognised gains or losses for the current year.
* Revenue from acquisition, as the Group came into existence on 18 March 2016.

Consolidated Statement of Financial Position

For the year ended 30 September 2017

	Notes	Group 2017 £	2016 £
ASSETS			
Non-current assets			
Goodwill	11	2,053,141	2,053,141
Intangible assets	11	6,571,158	6,979,370
Property, plant and equipment	12	359,939	411,505
Deferred tax assets	14	270,123	320,546
		9,254,361	9,764,562
Current assets			
Trade and other receivables	15	8,508,826	9,164,872
Cash and cash equivalents		5,338,935	5,006,185
		13,847,761	14,171,057
TOTAL ASSETS		23,102,122	23,935,619
LIABILITIES			
Non-current liabilities			
Borrowings	18	(2,693,139)	(3,572,602)
Other payables	19	-	(120,000)
Deferred tax liabilities	14	(1,076,166)	(1,280,805)
		(3,769,305)	(4,973,407)
Current liabilities			
Trade and other payables	16	(4,573,705)	(5,007,214)
Borrowings	16	(1,000,000)	(1,000,000)
		(5,573,705)	(6,007,214)
TOTAL LIABILITIES		(9,343,010)	(10,980,621)
NET ASSETS		13,759,112	12,954,998
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	21	147,567	147,567
Share premium account		13,318,725	13,318,725
Foreign exchange reserve		107,887	145,913
Retained profit/(loss)		184,933	(657,207)
TOTAL EQUITY		13,759,112	12,954,998

The financial statements were approved and authorised for issue by the Board of Directors on 24 November 2017. Signed on behalf of the Board of Directors by:

L T Hall
Director
Company Number 09472870

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

Company Statement of Financial Position

For the year ended 30 September 2017

	Notes	Company 2017 £	2016 £
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**14,651,571**	14,651,571
		14,651,571	14,651,571
Current assets			
Trade and other receivables	15	**2,973,834**	57,490
Cash and cash equivalents		**10,780**	3,457,157
		2,984,614	3,514,647
TOTAL ASSETS		**17,636,185**	18,166,218
LIABILITIES			
Non-current liabilities			
Borrowings	18	**(2,693,139)**	(3,572,602)
		(2,693,139)	(3,572,602)
Current liabilities			
Trade and other payables	16	**(202,115)**	(72,146)
Borrowings	16	**(1,000,000)**	(1,000,000)
		(1,202,115)	(1,072,146)
TOTAL LIABILITIES		**(3,895,254)**	(4,644,748)
NET ASSETS		**13,740,931**	13,521,470
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	21	**147,567**	147,567
Share premium account		**13,318,725**	13,318,725
Retained profit		**274,639**	55,178
TOTAL EQUITY		**13,740,931**	13,521,470

The financial statements were approved and authorised for issue by the Board of Directors on 24 November 2017. 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 2017

	Notes	Group 2017 £	206 £
Cash flows from operating activities			
Profit for the year		**2,022,679**	306,968
Adjustments for:			
Taxation		**(27,328)**	(68,032)
Finance income		**(4,611)**	(6,059)
Finance costs		**117,569**	199,559
Depreciation		**249,715**	142,695
Amortisation		**1,258,212**	571,555
		3,616,236	1,146,686
Decrease/(increase) in trade and other receivables		**656,046**	(1,765,866)
Decrease in trade and other payables		**(724,060)**	(101,524)
Cash generated/(used in) operations		**3,548,222**	(720,704)
Finance costs		**(117,569)**	(72,981)
Finance income		**4,611**	6,059
Tax received/(paid)		**7,845**	(30,511)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**3,443,109**	(818,137)
Cash flows from investing activities			
Acquisition of subsidiary undertakings, net of cash and overdrafts acquired		-	(11,129,200)
Capitalisation of development costs		**(850,000)**	(601,111)
Purchase of property, plant and equipment		**(197,808)**	(136,993)
NET CASH USED IN INVESTING ACTIVITIES		**(1,047,808)**	(11,867,304)
Cash flows from financing activities			
Proceeds from issue of equity shares		-	13,450,632
Borrowings repaid		**(879,463)**	(427,398)
Borrowings received		-	5,000,000
Dividends paid		**(1,180,539)**	(383,675)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(2,060,002)**	17,639,559
NET INCREASE IN CASH AND CASH EQUIVALENTS		**335,299**	4,954,118
Translation differences		**(2,549)**	37,226
Cash and cash equivalents at beginning of year		**5,006,185**	14,841
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,338,935**	5,006,185

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 2017

	Notes	Company 2017 £	2016 £
Cash flows from operating activities			
Profit for the year		**1,400,000**	1,019,353
Adjustments for:			
Taxation		**100,000**	-
Finance costs		**116,773**	77,770
		1,616,773	1,097,123
Increase in trade and other receivables		**(2,916,344)**	(12,967)
Increase/(decrease) in trade and other payables		**29,969**	(557,226)
Cash (used in)/generated from operations		**(1,269,602)**	526,930
Finance costs		**(116,773)**	(72,602)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(1,386,375)**	454,328
Cash flows from investing activities			
Acquisition of subsidiary undertakings		**-**	(14,651,571)
NET CASH USED IN INVESTING ACTIVITIES		**-**	(14,651,571)
Cash flows from financing activities			
Proceeds from issue of equity shares		**-**	13,450,632
Borrowings repaid		**(879,463)**	(427,398)
Borrowings received		**-**	5,000,000
Dividends paid		**(1,180,539)**	(383,675)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(2,060,002)**	17,639,559
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,446,377)**	3,442,316
Cash and cash equivalents at beginning of year		**3,457,157**	14,841
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,780**	3,457,157

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

Group	Ordinary share capital £	Share premium £	Foreign exchange reserve £	Retained Earnings £	Total £
Balance at 1 October 2015	**15,660**	**-**	**-**	**(580,500)**	**(564,840)**
Profit for the year	-	-	-	306,968	306,968
Other comprehensive income:					
Exchange differences on translating foreign operations	-	-	145,913	-	145,913
Total comprehensive income	-	-	145,913	306,968	452,881
Transactions with owners:					
Issue of shares	131,907	13,318,725	-	-	13,450,632
Dividends	-	-	-	(383,675)	(383,675)
Total transactions with owners	131,907	13,318,725	-	(383,675)	13,066,957
Balance as at 30 September 2016	**147,567**	**13,318,725**	**145,913**	**(657,207)**	**12,954,998**

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

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 2017

Company	Ordinary share capital £	Share premium £	Retained Earnings £	Total £
Balance at 1 October 2015	**15,660**	**-**	**(580,500)**	**(564,840)**
Profit for the year	-	-	1,019,353	1,019,353
Total comprehensive income	-	-	1,019,353	1,019,353
Transactions with owners:				
Issue of shares	131,907	13,318,725	-	13,450,632
Dividends	-	-	(383,675)	(383,675)
Total transactions with owners	131,907	13,318,725	(383,675)	13,066,957
Balance as at 30 September 2016	**147,567**	**13,318,725**	**55,178**	**13,521,470**

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

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 2017

1. Critical accounting estimates and judgements

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

Judgements

i. Capitalisation of development costs

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

ii. Revenue recognition

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

iii. Recoverability of trade debtors and accrued income

Management use their judgement when determining whether trade debtors and accrued income are considered recoverable or where a provision for impairment is considered necessary. The assessment of recoverability will include consideration of whether the balance is with a long standing client, whether the customer is experiencing financial difficulties, the fact that balances are recognised under contract and that the products sold are mission critical to the customer's business. Refer to notes 15 and 19.

Estimates

i. Business combinations

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

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

ii. Depreciation and amortisation

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

Notes to the Financial Statements
For the year ended 30 September 2017
Continued

2. Segment information

During the year ended 30 September 2017, the Group was organised into four main business segments for revenue purposes.

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

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

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

	2017 £	2016 £
Revenue		
Services	**7,283,678**	5,358,998
Software	**7,594,346**	2,467,507
Software-as-a-Service	**306,834**	147,266
3rd party	**848,118**	391,003
Total revenue	**16,032,976**	8,364,774

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 2017				
Revenue	7,425,865	1,040,313	6,206,583	1,360,215
Capital expenditure	1,030,452	-	-	17,613
Total assets	22,567,238	-	-	534,884
Net assets	13,587,658	-	-	171,454

	Europe £	MEA £	Americas £	Asia Pacific £
Year ended 30 September 2016				
Revenue	1,851,745	888,575	4,835,022	789,432
Capital expenditure	686,774	-	-	51,330
Total assets	23,392,783	-	-	542,836
Net assets	12,397,168	-	-	557,830

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

	Operating segment	2017 £	2016 £
Customer			
No. 1	Americas	3,637,472	4,239,879
No. 2	MEA	2,046,630	859,256
No. 3	Americas	1,770,640	-

3. Operating profit

	2017 £	2016 £
Operating profit is stated after (crediting)/charging:		
Depreciation	**249,715**	142,695
Amortisation of intangibles	**1,258,212**	571,555
Research and development costs	**303,849**	172,978
Exceptional item - IPO costs	**-**	746,055
Bad debt expense	**174,551**	495,649
Foreign exchange losses/(gains)	**464,858**	(544,389)
Operating leases	**614,906**	412,852
Fees payable to Cerillion's principal auditor:		
- Audit of Cerillion plc's annual accounts	**6,000**	5,000
- Audit of subsidiaries	**44,000**	40,000
- Non-audit services – tax services	**11,000**	12,400
- Non-audit services – corporate finance	**-**	145,000
- Non-audit services – other	**5,500**	8,000
Fees payable to associates of principal auditor:		
- Audit of subsidiaries	**10,182**	8,000
- Non-audit services – tax services	**24,048**	13,200

4. Directors and employees

Group	2017 £	2016 £
Employee costs (including Directors):		
Wages and salaries	**7,897,555**	4,079,149
Social security costs	**602,462**	311,036
Payments into defined contribution pension schemes	**336,465**	170,521
	8,836,482	4,560,706

Group	2017 Number	2016 Number
The average number of employees (including Directors) during the year was made up as follows:		
Management and administration	**21**	20
Sales and marketing	**14**	12
Support and development staff	**131**	125
Executive Directors	**3**	3
Non-executive Directors	**2**	2
	171	162

For details of Directors' remuneration, refer to the Remuneration report on page 17. Key management personnel is covered in note 23.

Notes to the Financial Statements

For the year ended 30 September 2017

Continued

5. Finance income

	2017 £	2016 £
Finance income:		
Bank interest receivable	**4,611**	6,059

6. Finance costs

	2017 £	2016 £
Finance costs:		
Interest payable in respect of loans	**(116,772)**	(78,149)
Other interest payable	**(797)**	-
Fair value loss on forward exchange contracts	**-**	(121,410)
	(117,569)	(199,559)

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:

	2017 £	2016 £
Current tax expense/ (credit)	**229,263**	(3,804)
Deferred tax (credit)	**(256,591)**	(64,228)
Total tax (credit)	**(27,328)**	(68,032)

b. Factors affecting total tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19.5% (2016: 20.0%). The differences are explained as follows:

Profit on ordinary activities before tax	**1,995,351**	238,936
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.5% (2016: 20.0%)	**389,093**	47,787
Effect of:		
Expenses not deductible/income not taxable for tax purposes	**8,529**	195,446
Difference in tax rates	**20,123**	23,506
Other temporary differences	**3,477**	(120,470)
Surrender of tax losses	**-**	29,113
Losses carried forward	**-**	26,918
R&D tax credit payable	**-**	(21,107)
Enhanced relief for research and development	**(448,550)**	(249,225)
Total tax (credit)	**(27,328)**	(68,032)

There are currently no deferred tax assets or liabilities recognised within the Parent Company accounts. Taxable losses within the Parent Company totalling £134,591 (2016: £134,591) have been carried forward, but no deferred tax asset has been recognised in relation to these losses due to the uncertainty surrounding the timing of their recovery.

8. Profit attributable to Cerillion plc

The profit for the financial year of the Parent Company, Cerillion plc was £1,400,000 (2016: £1,019,353). 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 2016 of 2.6p per share and declared and paid an interim 2017 dividend of 1.4p (2016: 1.3p) per share. Total dividends paid during the reporting period were £1,180,539 (2016: £383,675).

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 2.8p per fully paid Ordinary share (2016: 2.6p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 September 2017, but not recognised as a liability at the year end is £826,378 (2016: £767,351).

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.

	2017	2016
Profit attributable to equity holders of the Company (£)	**2,022,679**	306,968
Weighted average number of Ordinary Shares in issue (number)	**29,513,486**	23,425,877
Effect of share options in issue	**33,492**	-
Weighted average shares for diluted earnings per share	**29,546,978**	23,425,877
Basic earnings per share (pence per share)	**6.9**	**1.3**
Diluted earnings per share (pence per share)	**6.8**	**1.3**

There were no potentially dilutive equity instruments in issue during the prior year.

Notes to the Financial Statements

For the year ended 30 September 2017
Continued

11. Intangible assets

Group	Goodwill £	Purchased customer contracts £	Intellectual property rights £	Software development costs £	Total £
Cost					
At 1 October 2015	-	-	-	-	-
Acquired	80,000	4,382,654	2,567,160	-	7,029,814
Arising on acquisition	1,973,141	-	-	-	1,973,141
Additions	-	-	-	601,111	601,111
At 30 September 2016	2,053,141	4,382,654	2,567,160	601,111	9,604,066
Additions	-	-	-	850,000	850,000
At 30 September 2017	**2,053,141**	**4,382,654**	**2,567,160**	**1,451,111**	**10,454,066**
Amortisation					
At 1 October 2015	-	-	-	-	-
Provided in the year	-	313,047	183,369	75,139	571,555
At 30 September 2016	-	313,047	183,369	75,139	571,555
Provided in the year	-	626,093	366,737	265,382	1,258,212
At 30 September 2017	**-**	**939,140**	**550,106**	**340,521**	**1,829,767**
Net book amount at 30 September 2017	**2,053,141**	**3,443,514**	**2,017,054**	**1,110,590**	**8,624,299**
Net book amount at 30 September 2016	2,053,141	4,069,607	2,383,791	525,972	9,032,511

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

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

Using an average market share price of Cerillion plc for the year ended 30 September 2017, 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.

12. Property plant and equipment

Group	Leasehold improvements £	Computer equipment £	Furniture and fittings £	Total £
Cost				
At 1 October 2015	-	-	-	-
Acquisition	588,807	3,221,908	759,094	4,569,809
Additions	-	126,448	10,545	136,993
Exchange difference	16,406	12,910	9,524	38,840
At 30 September 2016	605,213	3,361,266	779,163	4,745,642
Additions	-	170,519	27,289	197,808
Disposals	-	(2,000)	(1,500)	(3,500)
Exchange difference	(2,633)	(2,073)	(1,529)	(6,235)
At 30 September 2017	**602,580**	**3,527,712**	**803,423**	**4,933,715**
Depreciation				
At 1 October 2015	-	-	-	-
Acquisition	573,895	2,848,847	746,268	4,169,010
Provided in the year	8,916	125,472	8,307	142,695
Exchange difference	11,582	5,064	5,786	22,432
At 30 September 2016	594,393	2,979,383	760,361	4,334,137
Provided in the year	7,057	225,529	17,129	249,715
Disposals	-	(2,000)	(1,000)	(3,000)
Exchange difference	(2,669)	(2,671)	(1,736)	(7,076)
At 30 September 2017	**598,781**	**3,200,241**	**774,754**	**4,573,776**
Net book amount at 30 September 2017	**3,799**	**327,471**	**28,669**	**359,939**
Net book amount at 30 September 2016	10,820	381,883	18,802	411,505

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

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

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

Notes to the Financial Statements

For the year ended 30 September 2017

Continued

13. Investments in subsidiaries

The Group

At 30 September 2017, the Company's subsidiary undertakings, all of which have been included in the Group financial statements, were:

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

** includes holdings held indirectly through Cerillion Inc

*** For the purpose of the Group financial statements for the year ended 30 September 2017, management accounts have been drawn up to 30 September 2017.

The Company	Investments in subsidiary undertakings £
Cost and net book value:	
As at 1 October 2015	-
Additions	14,651,571
As at 30 September 2016	14,651,571
Additions	-
As at 30 September 2017	**14,651,571**

14. Deferred tax

Deferred tax asset

Group	Accelerated capital allowances £	Other temporary differences £	Total £
1 October 2015	-	-	-
Deferred tax asset acquired	169,888	184,166	354,054
Foreign exchange movement on opening deferred tax asset	-	12,584	12,584
(Charged)/credited to profit or loss	(56,242)	10,150	(46,092)
30 September 2016	**113,646**	**206,900**	**320,546**

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

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.

	Fair value uplift on acquisitions 2017 £	2016 £
At 1 October 2016	**1,280,805**	-
Deferred tax liability acquired	**-**	70,660
Deferred tax arising on acquisition of Cerillion Technologies Ltd	-	**1,320,465**
Credited to profit or loss	**(204,639)**	(110,320)
As at 30 September 2017	**1,076,166**	1,280,805

There are no deferred tax assets or deferred tax liabilities recognised within the Parent Company as at 30 September 2017 (2016: £nil).

Notes to the Financial Statements

For the year ended 30 September 2017

Continued

15. Trade and other receivables

	The Group		The Company	
	2017 £	2016 £	2017 £	2016 £
Trade receivables	1,956,936	2,894,015	-	-
Accrued income	5,866,024	5,565,952	-	-
Amounts owed by group undertakings	-	-	2,967,584	54,238
Other receivables	492,662	464,500	-	-
Prepayments	193,204	240,405	6,250	3,252
	8,508,826	9,164,872	2,973,834	57,490

Credit quality of receivables

A detailed review of the credit quality of each client is completed before an engagement commences and the concentration of credit risk is limited as exposure is spread over a large number of clients.

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

	2017 £	2016 £
Group		
Trade receivables	2,301,586	3,598,795
Bad debt provision	(344,650)	(704,780)
	1,956,936	2,894,015

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.

	2017 £	2016 £
Group		
Not past due	**1,598,807**	983,403
Up to 3 months	**80,898**	973,520
3 to 6 months	**154,139**	291,492
Older than 6 months	**123,092**	645,600
	1,956,936	2,894,015

Of the trade debt older than 6 months as at 30 September 2017, being £123,092 (2016: £645,600), cash of £93,693 (2016: £514,267) has been received since the year end.

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

	2017 £	2016 £
Group		
Not past due	**16,982**	108,206
Up to 3 months	**25,926**	322,086
3 to 6 months	**101,347**	133,913
Older than 6 months	**200,395**	140,575
	344,650	704,780

16. Trade and other payables

	The Group		The Company	
	2017 £	2016 £	2017 £	2016 £
Trade payables	**732,185**	336,684	**34,162**	16,564
Taxation	**236,822**	99,714	**100,000**	-
Other taxation and social security	**170,854**	255,876	**49,133**	41,312
Pension contributions	**40,413**	38,653	**-**	-
Other payables	**427,940**	453,212	**-**	-
Derivative financial instrument	**-**	121,410	**-**	-
Accruals	**1,221,442**	1,729,473	**18,820**	14,270
Deferred income	**1,744,049**	1,972,192	**-**	-
Loans (note 18)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	5,573,705	6,007,214	**1,202,115**	1,072,146

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

Notes to the Financial Statements

For the year ended 30 September 2017

Continued

17. Non-current other payables

	The Group		The Company	
	2017 **£**	2016 £	**2017** **£**	2016 £
Other payables	-	120,000	-	-
	-	120,000	-	-

Other payables comprise the amount outstanding on the purchase of the "Net Solutions Services" business by Cerillion Technologies Limited during its year ended 30 September 2015. The total balance outstanding at 30 September 2017 is £nil, the debt having been settled in full during the year (2016: £240,000 payable by two equal instalments of £120,000, one of which was shown in current liabilities).

18. Borrowings and financial liabilities

	The Group		The Company	
	2017 **£**	2016 £	**2017** **£**	2016 £
Current liabilities:				
Secured loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Non-current liabilities:				
Secured loans	**2,693,139**	3,572,602	**2,693,139**	3,572,602
	3,693,139	4,572,602	**3,693,139**	4,572,602

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.

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

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

19. Financial instruments and risk management

Group Financial instruments by category	2017 £	2016 £
Financial assets - loans and receivables		
Trade and other receivables	**2,449,598**	3,358,515
Accrued income	**5,866,024**	5,565,952
Unpaid share capital	**-**	-
Cash and cash equivalents	**5,338,935**	5,006,185
	13,654,557	13,930,652

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

Financial liabilities - held at amortised cost	2017 £	2016 £
Non-current		
Borrowings	**2,693,139**	3,572,602
Other payables	**-**	120,000
	2,693,139	3,692,602
Current		
Current borrowings	**1,000,000**	1,000,000
Trade and other payables	**1,330,979**	1,045,772
Pension costs	**40,413**	38,653
Accruals	**1,221,442**	1,729,473
	3,592,834	3,813,898

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

Financial liabilities - at fair value through profit and loss	2017 £	2016 £
Derivative financial instruments	**-**	121,410
	-	121,410

There is no material difference between the book value and the fair value of the financial assets and financial liabilities disclosed above.

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, with the exception of currency risk where forward currency contracts have been entered into during the year.

Notes to the Financial Statements

For the year ended 30 September 2017

Continued

19. Financial instruments and risk management (continued)

Credit quality of financial assets

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

	2017 £	2016 £
Trade receivables		
Group 1	**1,900**	131,788
Group 2	**1,939,473**	2,677,325
Group 3	**15,563**	84,902
	1,956,936	2,894,015

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.

	2017 £	2016 £
Cash at bank and short-term deposits		
A1	**5,336,036**	5,003,700
Not rated	**2,899**	2,485
	5,338,935	5,006,185

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.

Market risk – foreign exchange risk

Exposure to currency exchange rates arises 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 2016 the Group had forward foreign exchange contracts in place to mitigate exchange rate exposure arising from forecast income in US Dollars, Australian Dollars and Euros. The contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as hedging instruments, so are treated as held for trading in accordance with IAS 39. The above contract was settled during the year ended 30 September 2017 and no other contracts were entered into.

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

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

	AUD	USD	EUR	INR
30 September 2016				
Financial assets	162,863	4,462,267	1,424,000	366,804
Financial liabilities	(117,806)	(1,259,697)	(615,115)	(329,079)
Total exposure	45,507	3,202,570	808,885	37,725

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

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

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

30 September 2016	AUD	USD	EUR	INR
Loss for the year	(4,096)	(291,143)	(73,535)	(3,430)
Equity total	(4,096)	(291,143)	(73,535)	(3,430)

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

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

30 September 2016	AUD	USD	EUR	INR
Profit for the year	5,006	355,841	89,876	4,192
Equity total	5,006	355,841	89,876	4,192

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 2017

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19. Financial instruments and risk management (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.

The Group's policy is to minimise interest rate cash flow risk exposure on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 September 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's cash at bank and short-term deposits is considered immaterial.

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

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
30 September 2017	**(38,643)**	**38,354**	**(38,643)**	**38,354**
30 September 2016	(30,564)	30,499	(30,564)	30,499

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 2017				
Borrowings	1,000,000	1,000,000	1,693,139	-
Trade and other payables	4,573,705	-	-	-
30 September 2016				
Borrowings	1,000,000	1,000,000	2,572,602	-
Trade and other payables	5,007,214	120,000	-	-

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.

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.

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.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 September 2017:

Classes of financial liabilities measured at fair value – carrying amounts	Level 1 2017 £	Level 2 2017 £	Level 3 2017 £	Total 2017 £
Derivative financial instruments	-	-	-	-

Classes of financial liabilities measured at fair value – carrying amounts	Level 1 2016 £	Level 2 2016 £	Level 3 2016 £	Total 2016 £
Derivative financial instruments	-	121,410	-	121,410

There were no transfers between Level 1 and Level 2 in 2017 or 2016 and no derivative financial instruments within the Parent Company.

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. The Group's foreign currency forward contracts (Level 2) are not traded in active markets, so have been fair valued using observable forward exchange rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

Notes to the Financial Statements

For the year ended 30 September 2017

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21. Share capital

	2017 £	2016 £
Issued, allotted, called up and fully paid: 29,513,486 (2016: 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.

On 1 October 2015, the issued share capital of the Company was £59,363.955 divided into 8,740,822 A ordinary shares of £0.005 each with an amount paid up of £0.00125 per share and 3,131,969 ordinary shares of £0.005 each with an amount paid up of £0.00125 per share.

On 3 November 2015, the amounts outstanding were fully paid up by way of irrevocable undertakings to pay from the shareholders.

Pursuant to a resolution of the Directors on 9 November 2015 and a general meeting of the Shareholders on 9 November 2015, the 8,740,822 A ordinary shares of £0.005 each in the capital of the Company were redesignated as 8,740,822 Ordinary Shares.

Pursuant to a resolution of the Directors and a general meeting of the Company on 9 November 2015, and a subscription agreement on the same date, Livingbridge VC LLP, on behalf of funds managed by it, subscribed for 5,263,158 Ordinary Shares for an aggregate subscription price of £4 million.

By shareholder resolutions passed at the annual general meeting of the Company held on 11 March 2016:

a. the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all of the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £61,887.69 as follows:
    i. 4,482,800 Ordinary Shares pursuant to the Acquisition; and
    ii. 7,894,737 Ordinary Shares pursuant to the Placing.

22. Retirement benefits

The Group operates a group personal contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £336,465 (2016: £170,521).

23. Related party transactions

i. Remuneration of Key Management Personnel

The Group and Company consider that the Directors are their key management personnel and further detail of their remuneration is disclosed in the Remuneration Report for 2017.

No key personnel other than the Directors have been identified in relation to the period ended 30 September 2016.

ii. Related party transactions

As at 1 October 2015, the Directors owed the following amounts in respect of unpaid share capital:

O C R Gilchrist	£2,687
L T Hall	£32,778
G J O'Connor	£9,058

The amounts were fully paid up on 3 November 2015 by way of an irrevocable undertaking to pay, which took place prior to IPO.

No further related party transactions took place during the period.

24. Future lease payments

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

Group	2017 £	2016 £
Within one year	**251,440**	541,268
Between one and five years	**41,902**	350,489
	293,342	891,757

There are no lease commitments within the Parent Company.

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

Notes to the Financial Statements

For the year ended 30 September 2017

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25. Charge over assets

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

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

26. Contingent asset

The Group have a contingent asset in relation to a legal claim regarding receivables outstanding from a customer. Management believe that it is likely that a material amount will be collected. The Group has recognised an immaterial amount within revenue based on it being virtually certain.

27. Subsequent events

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

28. Ultimate controlling party

In the opinion of the Directors, there was no ultimate controlling party at 30 September 2017 or 30 September 2016.

Cerillion plc
25 Bedford Street
London
WC2E 9ES
United Kingdom

Tel: +44 20 7927 6000
Fax: +44 20 7927 6006

Email: info@cerillion.com
Web: www.cerillion.com