

cerillion

Annual Report and Financial Statements 2023

Cerillion plc



Company Information

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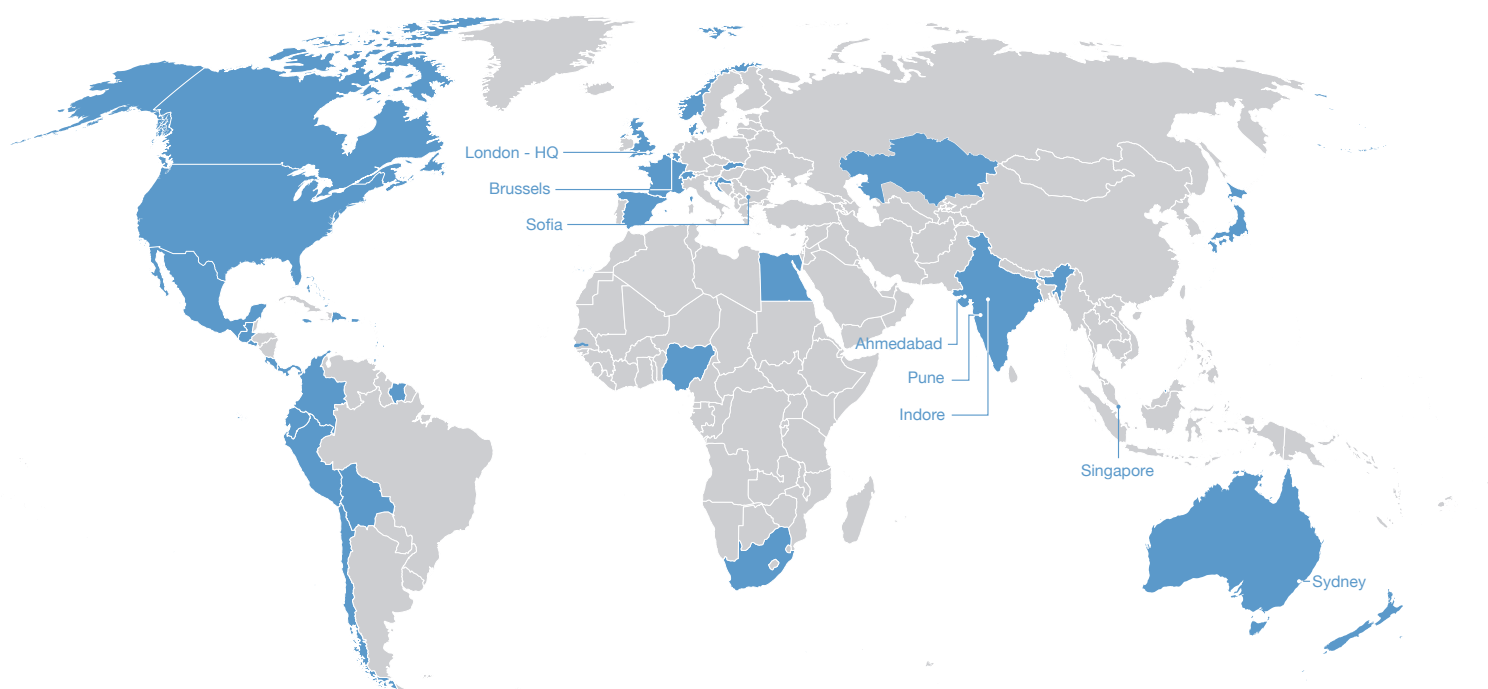
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Overview

Who We Are

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



c. 80 customers

- Headquartered in London, with a Global Solutions Centre in Pune, India, and operations in Bulgaria, USA and Australia
- Global customer base c. 80 customers in c. 45 countries
- Long customer relationships – typically 10+ years

c. 45 countries

- Existing customers typically generate over 90% of annual income
- Product offering is recognised in global analyst reports
- Rising demand in telecoms marketplace, driven by multiple factors, including technological and regulatory change

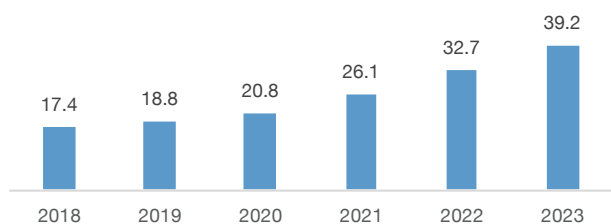
Overview

Financial Performance Highlights

Record highs across all key financial measures

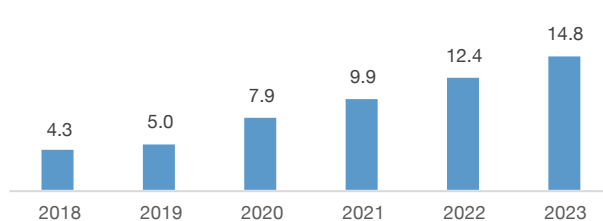
Total Revenue +20%

£m



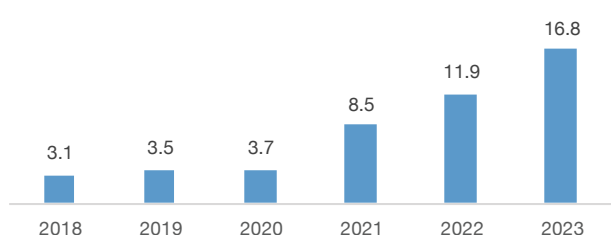
Annualised Recurring Revenue Run-Rate +19%

£m



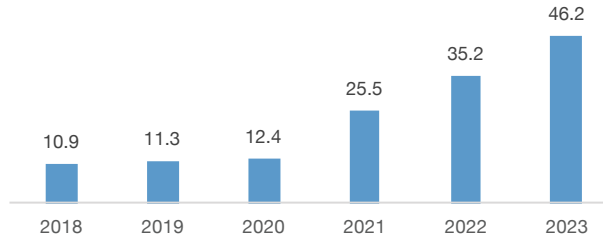
Adj. PBT +41%

£m



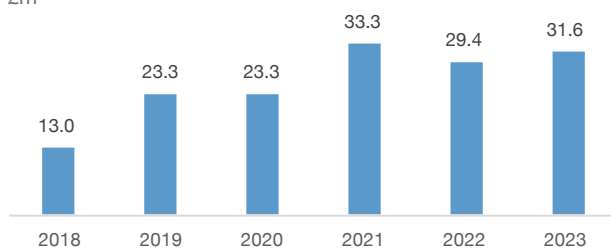
Adj. EPS +31%

p



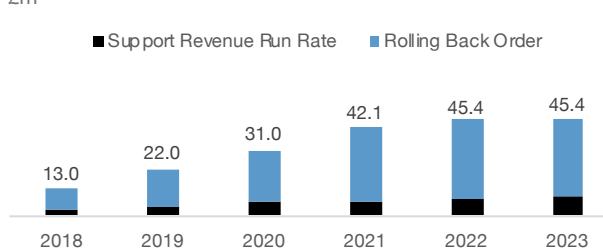
New Orders +7%

£m



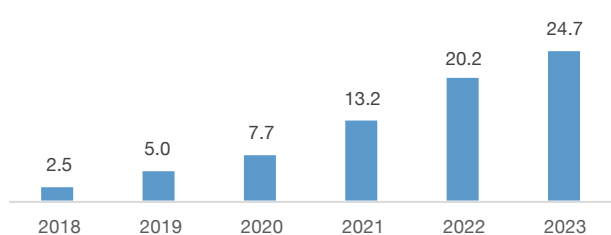
Back-order Book +0%

£m



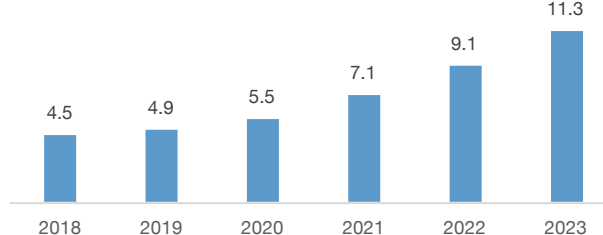
Net Cash +22%

£m



Dividend per Share +24%

p



Highlights

Cerillion plc, the billing, charging and customer relationship management software solutions provider, presents its annual results for the 12 months ended 30 September 2023.

Highlights

Year ended 30 September	2023	2022	Change
Revenue	£39.2m	£32.7m	+20%
Annualised recurring revenue ⁵	£14.8m	£12.4m	+19%
Adjusted EBITDA ²	£18.1m	£13.8m	+32%
Adjusted EBITDA margin	46.2%	42.0%	+420bps
Adjusted profit before tax ³	£16.8m	£11.9m	+41%
Statutory profit before tax	£16.1m	£10.9m	+48%
Adjusted basic earnings per share ⁷	46.2p	35.2p	+31%
Statutory basic earnings per share	43.8p	31.7p	+38%
Total dividend per share	11.3p	9.1p	+24%
Net cash	£24.7m	£20.2m	+22%

Financial:

- A record year across key financial performance measures
- Revenue^{1&4} up 20% to a record £39.2m (2022: £32.7m), driven by major new customer implementations, significant licence revenue and strong demand from existing customers
- Annualised recurring revenue up 19% to £14.8m (2022: £12.4m)
- Back-order book⁶ at £45.4m at the financial year-end (30 September 2022: £45.4m); now at a record £52.5m following the recent €12.4m contract win with a new European Tier-1 customer
- New customer sales pipeline⁸ up 16% to a record £243m at 30 September 2023 (30 September 2022: £209m)
- Strong balance sheet with net cash up 22% to £24.7m (30 September 2022: £20.2m)
- Final dividend of 8.0p per share proposed (2022: 6.5p), bringing the total dividend for the year to 11.3p per share (2022: 9.1p), an increase of 24%

Operational:

- Major new implementation covering mobile services completed for Telesur in H2; second phase covering its fixed-line network is now under way
- Record orders of £30.8m to existing customers, up by 85% year-on-year
 - reflects the benefits of recent larger customer wins and includes major new contract worth £15.1m signed in H2
- Continued expansion of newer resource centres in Bulgaria and India, and sales team presence added in the USA
- AI-based functionality introduced in latest product release, issued in November 2023
- Pipeline of new business opportunities stands at a record high and includes larger potential contracts
- Cerillion well-positioned for further growth in FY24 and beyond

Highlights

Continued

Louis Hall, CEO of Cerillion, commented:

"It has been another year of strong growth and development. Revenue, pre-tax profit and the new customer sales pipeline all reached new highs. Record orders to existing customers – some 79% of total revenue for the year - shows the importance of our existing customer base, and the recent closure of a €12.4m deal with a Tier-1 telco is another demonstration of our widening market appeal.

"We continued to invest in our product set, introducing AI for the first time, and also expanded our resource base, particularly at our newer centres in Ahmedabad, Indore and Sofia.

"The market backdrop remains extremely favourable. Numerous factors continue to drive telco investment in the enterprise software layer that connects their network infrastructure to their customers and allows them to enhance monetisation of their network infrastructure assets. In a slower growth environment for telcos, the need to extract more revenue from existing assets and improve operational efficiency are just as important drivers for improving or replacing the enterprise software layer as investment in new 5G and fibre infrastructure.

"Cerillion's financial position remains very strong, supported by significant net cash, increasing levels of recurring income and strong cash generation. Together with a record back-order book and strong new customer sales pipeline, this leaves us confident about Cerillion's growth prospects in the new financial year and beyond."

Notes

- Note 1** Full analysis of the revenue streams for Cerillion plc can be found in the segmental reporting disclosure note 2.
- Note 2** Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") is calculated by taking operating profit and adding back depreciation & amortisation and share-based payment charge.
- Note 3** Adjusted profit before tax is calculated by taking reported profit before tax and adding back amortisation of acquired intangible assets and share-based payment charge.
- Note 4** Revenue derived from software licence, support and maintenance, Software-as-a-Service ("SaaS") and third-party sales.
- Note 5** Recurring revenue includes support and maintenance, managed service and Skyline revenue.
- Note 6** Back order book consists of £36.7m of sales contracted but not yet recognised at the end of the reporting period plus £8.7m of annualised support and maintenance revenue. It is anticipated that c. 45% of the £36.7m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12 months.
- Note 7** Adjusted earnings per share is calculated by taking profit after tax and adding back amortisation of acquired intangible assets and share-based payment charge and is divided by the weighted average number of shares in issue during the period.
- Note 8** New Customer Sales Pipeline is the total, unweighted value of all qualified sales prospects.

Chairman and Chief Executive Officer's Report

Introduction

Cerillion continues to perform very strongly and financial results for the year have set new record highs on key measures. Revenue increased by 20% year-on-year to a record £39.2m (2022: £32.7m), and adjusted profit before tax rose by 41% to a new high of £16.8m (2022: £11.9m), which was meaningfully ahead of the prior consensus market forecast, as reported in our October trading update. At financial year-end, the total value of our new customer sales pipeline had increased by 16% to a record £243m (2022: £209m), which reflects the growing demand that we are seeing in the marketplace.

This excellent performance was achieved against slower economic growth globally. We believe that this backdrop is likely to stimulate market interest in our product-based SaaS solutions as telcos seek to maximise investment returns on critical 5G and fibre infrastructure, as well as on existing infrastructure assets and comment further on this below.

New orders for the financial year under review increased slightly to £31.6m (2022: £29.4m), and the new financial year has started strongly with a major new contract worth approximately €12.4m signed with a new Tier-1 customer. It is worth noting that key criteria in the selection process were the commercial, operational and financial advantages of our 'out-of-the-box' product model, and especially the ease with which our software enables new products and packages to be created and launched by our customers to their end-customers. Our highly-configurable, 'out-of-the-box' product solution enables much lower total cost of ownership and much faster time-to-market than the traditional best-of-breed or bespoke approaches.

The recent Tier-1 new customer signing continues a trend towards winning larger customers. As we have previously commented, this has multiple benefits. In addition to providing further proof points of the quality of our product offering, larger customers typically generate higher income over the long-term since they are generally more active, with broader and deeper requirements and larger budgets. Larger deals also typically have a higher software licence element and therefore tend to be margin enhancing.

New orders from existing accounts increased by 85% year-on-year to £30.8m (2022: £16.7m). This substantial uplift mainly reflected the presence of the larger customers that we have signed in recent years, but it was also driven by some large deals with a number of smaller customers.

In order to support the significant acceleration of the Company's growth rate, we have continued to increase resources in our main operations in India and Bulgaria. We also added new sales presence in the USA, Belgium and Singapore over the year.

Looking to the future, demand for billing, charging, customer relationship management ("CRM") and digital customer experience solutions in the Company's core telecommunications market is driven by a very broad range of factors. These include the need to: realise greater value from existing infrastructure assets; improve operational efficiency; adapt rapidly to changing market conditions; and maximise value from new infrastructure investments in 5G and fibre rollouts. Cerillion remains well-placed to benefit from these drivers, and to grow, both in Europe and internationally. We also expect to gain from increasing market acceptance of SaaS-based product solutions.

The pipeline of potential new business opportunities is very strong, and the Company is well-positioned to make further strong progress in the new financial year.

Chairman and Chief Executive Officer's Report

Continued

Financial Overview

Total revenue for the year to 30 September 2023 rose by 20% to £39.2m (2022: £32.7m). As is typical, existing customers (classified as those acquired before the beginning of the reporting period) accounted for a very high proportion of total revenue, generating 99% of the overall result (2022: 98%).

Recurring revenue, which is derived from support and maintenance and managed service contracts, increased by 23% to £12.9m and comprised approximately 33% of total revenue (2022: £10.5m, 32%). At 30 September 2023, recurring revenue on an annualised basis was 19% higher year-on-year at £14.8m (30 September 2022: £12.4m), boosted by a 41% increase in annualised managed service contract revenue (2022: 67% increase) as more customers contracted for these services.

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

- Software (including Software-as-a-Service) revenue increased by 64% to £21.1m (2022: £12.9m). This included initial licence recognition for recent, large new customer wins. Software revenues accounted for 54% of total revenues (2022: 39%).
- Services revenue decreased by 15% to £15.5m (2022: £18.3m). This reduction largely reflected a reduction in concurrent implementation work on new customer projects. Services revenue comprised 40% of total revenue (2022: 56%).
- Third-party income increased by 62% to £2.6m (2022: £1.6m) and comprised 7% of total revenue (2022: 5%).

Gross margin was slightly ahead of the prior year at 78.6% (2022: 77.9%), reflecting the higher proportion of licence revenue recognised.

Operating expenses increased by 17.2% to £15.3m (2022: £13.0m). This included an unfavourable year-on-year foreign exchange impact of £0.6m due to retranslation of balance sheet items at year end. Excluding this, operating expenses increased by 12%, reflecting strong focus on cost control. Personnel costs were £8.7m (2022: £7.4m) and accounted for 57% (2022: 57%) of operating expenses.

Adjusted EBITDA for the year increased by 32% to £18.1m (2022: £13.8m), driven mainly by higher revenues, and supported by favourable foreign exchange rates. The Board considers adjusted EBITDA to be a key performance indicator for Cerillion as it adds back key non-cash transactions, being share-based payments, depreciation and amortisation.

We continued to invest in our product set, and the charge for amortisation of intangibles was £1.4m (2022: £1.9m). Expenditure on tangible fixed assets was £0.3m (2022: £0.6m). Operating profit increased by 43% to £15.3m (2022: £10.7m) due to the increase in revenue, as well as operational leverage.

Adjusted profit before tax rose by 41% to £16.8m (2022: £11.9m) and adjusted earnings per share increased by 31% to 46.2p (2022: 35.2p). On a statutory basis, profit before tax increased by 48% to £16.1m (2022: £10.9m) and earnings per share increased by 38% to 43.8p (2022: 31.7p).

Cash Flow and Banking

The Group continued to generate strong cash flows, and closed the financial year with net cash up by 22% against the same point last year to £24.7m (30 September 2022: £20.2m). This was after £2.9m of dividend payments (2022: £2.2m). Total debt at the year-end remained £nil (2022: £nil).

Dividend

The Board is pleased to propose a 23% increase in the final dividend to 8.0p per share (2022: 6.5p). Together with the interim dividend of 3.3p per share (2022: 2.6p), this brings the total dividend for the year to 11.3p per share (2022: 9.1p), an increase of 24%.

The dividend, which is subject to shareholder approval at the Company's Annual General Meeting to be held on 1 February 2024, will become payable on 8 February 2024 to those shareholders on the Company's register as at the close of business on the record date of 29 December 2023. The ex-dividend date is 28 December 2023.

Operational and Market Overview

High points over the year included the completion of some major implementations. One was for Neos Networks, a leading UK business telecoms provider, where we replaced three independent systems, and another was for Telesur, the leading telecommunications provider in Suriname, where we migrated the telco's mobile services to our platform. Our work for Telesur continues with the digital transformation of its fixed-line services. In June 2023, we signed a major new six-year contract with an existing telecommunications customer worth a total of £15.1 million, which just tops our previous largest ever customer win, signed in 2022. The £15.1 million win followed a £10 million contract signing in the first half of the year with an existing customer.

Our latest major new contract was agreed in November 2023 and is with a Tier-1 telco, based in Europe. Worth an initial €12.4 million, we expect this engagement to grow significantly in value over time. It also supports our view that the trend towards signing larger deals with larger customers will continue as our product-based approach gains wider acceptance. As previously emphasised, contracts with larger customers normally involve higher recurring revenues and have much greater upsell potential, therefore they contribute significantly to the ongoing growth of the business.

As we grow across the globe, and global labour markets evolve, we continue to expand our operating locations, recruiting the best talent cost-effectively and supporting our expanding global customer base. We enlarged our teams at our newer locations in Sofia, Bulgaria and at Ahmedabad and Indore in India and have maintained a mix of remote and office-based working. The competition for technology professionals remained relatively strong during most of the financial year, but pressures eased significantly from the peaks reached in the prior year. Nevertheless, we remain focused on potential inflation in people costs and continue to manage carefully the mix and location of resource.

Our investment in R&D exceeded last year's levels and we have continued to advance our technology, launching two major new releases of our product set, as scheduled. The most recent of these releases was Cerillion 23.2, which went live in early November 2023. A key feature of this latest release was the introduction of AI. This will specifically support the ease and agility with which our customers can create and release new product sets within our Enterprise Product Catalogue, by enabling non-technical telco staff to use natural language to define complex product bundles. These are then constructed automatically, significantly reducing the time and complexity of this key task.

Significant telco investment in critical 5G and fibre infrastructure continues and will continue to flow down to the ancillary systems that connect this infrastructure to customers and revenue. Against this macro backdrop, we anticipate that the current global economic slowdown will place more pressure on telcos to find efficiencies in their digital real-estate. We believe that this is likely to encourage further market take-up of the flexible, highly configurable, product-based SaaS solutions that Cerillion offers, rather than the more bespoke solutions, or best-of-breed platforms, available from traditional vendors. In addition to this, we anticipate that telcos will seek to improve their digital real-estate in order to save costs, by improving business efficiency and consolidating multiple customer bases onto a single platform, as well as driving revenue from existing infrastructure assets, by providing the market with more innovative products based on those assets.

Chairman and Chief Executive Officer's Report

Continued

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

Outlook

The Company is growing strongly, and its product-based SaaS approach leaves it well placed to continue to benefit from the broad range of positive market drivers, as discussed above. We are also encouraged by the increasing visibility the brand is gaining in what remains a huge marketplace. Our recent Tier-1 new customer win reflects this and Cerillion's inclusion in two Gartner Market Guides* (which evaluated suppliers based on product portfolio, geographic spread and progress in the last year), published earlier in 2023, also highlights the Company's growing reputation and the breadth and completeness of its product portfolio.

Looking ahead, the recent new customer win, ongoing implementation work with existing customers, and the major new deals signed with existing customers all create a strong platform for further growth. The back-order book, now at a record £52.5m, underpins revenue visibility, and the new customer sales pipeline, also at a new high, contains large deal opportunities. This leaves Cerillion well-placed to deliver another strong performance in the new financial year and beyond.

Cerillion's financial position remains very strong, supported by significant net cash, increasing levels of recurring income and strong cash flows. We therefore view the future with confidence and will continue to invest across the business to support ongoing growth.

A M Howarth

Non-executive Chairman

17 November 2023

L T Hall

Chief Executive Officer

17 November 2023

*Gartner "Market Guide for CSP Customer Management and Experience Solutions" By Analyst(s): Juha Korhonen, Amresh Nandan, Chris Meering, Susan Welsh de Grimaldo. Published 10 April 2023, and Gartner "Market Guide for CSP Revenue Management and Monetization Solutions" By Analyst(s): Amresh Nandan, Chris Meering, Juha Korhonen. Published 9 November 2022.

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Strategic Report

The Directors present their strategic report for the year ended 30 September 2023.

Financial overview

Revenue for the year totalled £39,170,000 (2022: £32,726,000) and the gross profit was £30,806,000 (2022: £25,505,000). Profit after taxation for the year was £12,931,000 (2022: £9,344,000). The Group's net assets were £36,885,000 (2022: £26,732,000).

Business review

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

Future outlook of the business

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

Summary of key performance indicators

The Directors have monitored the performance of the Group with particular reference to the following key performance indicators.

The key performance indicators are monitored against budget and reviewed by the Board:

	2023 £'000	2022 £'000
Revenue	39,170	32,726
<i>Key revenue streams*</i> :		
Services	15,540	18,272
Software & Software-as-a-Service	21,054	12,860
Recurring revenues	12,909	10,483
New orders	31,584	29,412
Back order book	45,448	45,381
Operating profit	15,277	10,704
Add back:		
- Depreciation and amortisation	2,597	2,986
- Share-based payment charge	209	60
Adjusted EBITDA**	18,083	13,750
Profit before taxation	16,114	10,895
Add back:		
- Amortisation of acquired intangibles	496	993
- Share-based payment charge	209	60
Adjusted profit before taxation***	16,819	11,948
Average employee numbers:		
- UK	100	97
- India	198	178
- Other	26	20
Total	324	295

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

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

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

Strategic Report

Continued

Principal risks and uncertainties

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

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

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

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

Mitigation:

The Group has LTIP and SAYE share option schemes in place, as well as retention bonuses, to further incentivise and retain key personnel.

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

The Group services customers in c. 45 countries and, in the year ended 30 September 2023, 89% (2022: 82%) of the Group's revenues were generated outside of the UK, some of which were transacted in foreign currencies. To the extent that the Group's business transactions are not denominated in the same currency, the Group is exposed to foreign currency exchange rate risk. The Group continually reviews contract denominations and exchange rates and enters into hedging currency contracts, where deemed appropriate. Movements in foreign exchange rates on transactions outside of those hedged items could have an adverse effect on the Group's business, financial condition and results of operations.

Mitigation:

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

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

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

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.

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

Mitigation:

The Group maintains good relationships with its customers to ensure that its products and services meet their needs. Whilst traditional, voice-based telecoms revenue streams may be declining, telcos are making major investments into 5G and fibre broadband infrastructure, which is driving demand for further investment in the ancillary software systems provided by the Group that support the network, and enable telcos to monetise these investments.

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

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

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

Mitigation:

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

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

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

Revenue/customer concentration

Customers by size:	2023	2022	2021
Number 1	19.7%	14.7%	19.9%
Top 5	59.7%	51.0%	51.6%
Top 10	81.6%	74.5%	75.9%
Top 20	96.2%	95.2%	93.0%

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

Strategic Report

Continued

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

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

Mitigation:

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

Reporting on compliance with section 172 requirements

In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act.) in the decisions taken during the year ended 30 September 2023.

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

Stakeholder engagement

With employees

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

The Company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion, sexual orientation or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

With suppliers, customers, and others

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

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

Shareholder information

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

This report is approved by the Board on 17 November 2023 and signed on its behalf by:

L T Hall

Chief Executive Officer

Corporate Governance Report

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

Audit Committee

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

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

Nominations Committee

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

Remuneration Committee

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

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

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

Board of Directors

The Group is run by its Board of Directors, which currently has five members, including two independent non-executive directors, and meets 10 times per year. The non-executive directors make a valuable contribution by bringing a breadth of business and relevant professional experience to the Board and commit half a working day per month to their roles.

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

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

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

Alan Miles Howarth, Non-executive Chairman (aged 78 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 20 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 a non-executive director of Tern Plc and a Board member of Open Health Group and the Change Management Group. He is an Adviser to several other International concerns.

Louis Tancred Hall, Chief Executive Officer (aged 59 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.

Andrew Richard Dickson, Chief Financial Officer (aged 42 years)

Andrew Dickson joined Cerillion as CFO in February 2022. Prior to this he spent seven years at The Vitec Group plc in a number of senior roles, including Group Director of Finance based in London and Finance Director of a subsidiary business based in the USA. In his earlier career, Andrew worked for Smiths Group plc, the FTSE 100 international engineering business, and qualified as a chartered accountant with Deloitte LLP.

Mike Dee, Non-executive Director (aged 68 years)

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

Guy Jason O'Connor, Non-executive Director (aged 61 years)

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

Attendance at the relevant committees was as follows:

Committee Attendance	Board	Audit	Nominations	Remuneration
Alan Howarth	10/10	2/2	0/0	1/1
Mike Dee	10/10	2/2	0/0	1/1
Louis Hall	10/10	-	-	-
Andrew Dickson	10/10	-	-	-
Guy O'Connor	8/10	-	-	-

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 Long-Term Incentive Plan (LTIP) was established to further incentivise the senior managers, who had limited equity in the Group, in the creation of long-term value for shareholders. During the year ended 30 September 2021 the Board made new awards under the LTIP, with 75,000 new options issued as part of the 2021 LTIP award. The options granted in June 2021 will be exercisable at the nominal value of the ordinary shares and were granted over an aggregate of 75,000 ordinary shares, representing approximately 0.25% of the current issued share capital of the Company. The award provides for these options to vest: 32,500 options three years from the date of grant; 32,500 options four years from the date of grant, 5,000 options five years from the date of the grant; and 5,000 options six years from the date of the grant, subject to the achievement of targets for compound annual growth in the share price of the Company over these vesting periods. The targets are as follows:

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

In addition, the LTIPs are conditional on the Company's adjusted annual earnings per share for each of the three, or five, years of the initial vesting period to increase by at least 5% per annum. The LTIPs also contain standard provisions dealing with certain matters such as cessation of employment and change of control.

During the year ended 30 September 2022 the Board made new awards under the LTIP, with 15,000 new options issued as part of the 2022 LTIP award. The options granted in August 2022 were exercisable at the nominal value of the ordinary shares and were granted over an aggregate of 15,000 ordinary shares, representing approximately 0.05% of the current issued share capital of the Company. The award provides for these options to vest: 7,500 options three years from the date of grant; and 7,500 options four years from the date of grant, subject to the achievement of targets for compound annual growth in the share price of the Company over these vesting periods. The targets remained the same as those outlined above.

During the year ended 2023 the Group introduced an additional Save as You Earn (SAYE) share option scheme whereby employees could elect to contribute a monthly amount to be saved over three years to enable the exercise of options over Ordinary Shares of 0.5 pence each in the Company. The options will be available for exercise from 1 February 2026, with an exercise price of £9.28, which was a 20% discount to the closing price on the last trading date before the launch of the Plan.

In total up to 27,766 options over Ordinary Shares were awarded under the Plan, representing approximately 0.1% of the current issued share capital of the Company.

There is a charge recognised in the current year financial statements of £209,000 (2022: £60,000) in total in respect of both the LTIP and SAYE schemes.

Other benefits

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

Service contracts and notice periods

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

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

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

Report of the Remuneration Committee

Continued

Directors' emoluments (audited)

The remuneration of each director during the years ended 30 September 2023 and 30 September 2022 are detailed in the tables below:

2023	Salary £'000	Benefits £'000	Bonus £'000	Pension contribution £'000	Total 2023 £'000
Executive					
L T Hall	346	8	363	22	739
A R Dickson	176	1	95	14	286
Non-executive					
A M Howarth	37	-	-	-	37
M Dee	31	-	-	-	31
G J O'Connor	26	-	-	-	26
Total	616	9	458	36	1,119

2022	Salary £'000	Benefits £'000	Bonus £'000	Pension contribution £'000	Total 2022 £'000
Executive					
L T Hall	326	7	326	-	659
A R Dickson*	111	-	55	7	173
O C R Gilchrist**	72	3	33	8	116
G J O'Connor	16	3	-	-	19
Non-executive					
A M Howarth	35	-	-	-	35
M Dee	30	-	-	-	30
G J O'Connor	22	-	-	-	22
Total	612	13	414	15	1,054

*Covers the period from 1 February 2022 to 30 September 2022. In addition, A R Dickson was the recipient of 15,000 LTIP share options issued in August 2022.

** Covers the period from 1 October 2021 to 4 February 2022.

A M Howarth

Chairman of the Remuneration Committee

17 November 2023

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 auditors, 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 auditors, including agreeing 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 auditors

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

- the independence and objectivity of the external auditors, taking into account the relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of non-audit services;
- recommending to the Board and shareholders the re-appointment or otherwise of the external auditors 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 auditors and ensures that the provision of such services does not impair the external auditors' independence.

M Dee

Chairman of the Audit Committee

17 November 2023

Directors' Report

The directors present their report and the audited financial statements of the Group for the year ended 30 September 2023.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

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

Branches in the EU

The Company has a branch based in Malta and another branch based in Bulgaria.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of 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' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Environmental, Social & Governance (“ESG”) Strategy

Introduction

As we continue to grow and develop the Company, we wish to ensure that Cerillion plays its role in protecting the environment, contributing to society, and upholding high standards of business conduct and practice.

Our core values, as well as our purpose, drive our business decisions and the code of conduct we have defined in the Company’s Staff Handbook. We have always sought to uphold high standards and to ensure that Cerillion is identified as a good corporate citizen. We also recognise that Environmental, Social and Governance (“ESG”) issues are becoming increasingly important to our customers, employees and shareholders.

An overview of our current ESG policies and practices and how we approach each area of ESG is provided below.

Environmental

- We minimise Cerillion’s environmental footprint by working with ISO:14001 accredited facilities management companies across our offices.
- We use renewable energy suppliers and, where possible, implement green lighting solutions.
- We use ISO:14001 accredited data centre providers, and where possible, use members of the Climate Neutral Data Centre Pact (CNDCP).
- We use IT recycling companies when disposing of old equipment.
- We provide recycling stations throughout our offices and only use Forest Stewardship Council (FSC) approved paper. We operate a “no plastic cups” policy.
- Employees are encouraged to commute using public/shared transport and are offered the opportunity to participate in the Government-backed “Cycle to Work” scheme in the UK.
- Our software products support energy reduction and greater energy efficiency. We list below the key environment benefits our products deliver.
 - Our solutions are fully web-based, enabling our customers to work from anywhere, reducing unnecessary travel for routine business operations.
 - Our software also helps our customers to reduce paper consumption by replacing paper bills and contracts with digital alternatives.
 - Our “pre-integrated” product solutions reduce the number of people required to travel to customer sites to implement complex enterprise software.
 - Our solutions enable our customers to consolidate multiple separate systems onto a single platform, which results in a reduction in overall energy consumption.

Directors' Report

Continued

Social

- A fundamental Company tenet is to treat all employees and applicants for jobs equitably, regardless of gender, ethnic origin, race, religion, sexual orientation or disability.
- We have a strong commitment to fostering the growth and development of our employees so as to bring out the full potential of their talents.
- We believe in engaging with our employees to promote dialogue and a sense of community and teamwork. In order to achieve this we:
 - Operate a dedicated Company intranet;
 - Provide employees with regular updates on the Company's business development and performance via email;
 - Publish regular internal newsletters;
 - Hold regular company meetings in all of our offices across the globe;
 - Seek feedback from employees through an annual survey; and
 - Organise social events to strengthen team relationships.
- The physical and mental wellbeing of our employees is very important to us. We provide several resources to ensure that our employees have access to additional support. This includes:
 - The Employee Assistance Programme, which provides independent help for mental health, financial and legal issues;
 - Trained mental health first aiders across the business; and
 - Private medical health insurance.
- We provide our employees with financial support, including income protection insurance and interest-free loans for the duration of their employment.
- We support charity fundraisings, such as the annual Macmillan Cancer coffee morning.

Governance

- Cerillion has adopted the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code").
 - Full details of adherence to the Code are available on the Investors' section of the company's website www.cerillion.com and include the independence of the Board of Directors and those on the Remuneration Committee.
- We have assigned clear responsibilities to certain executives for ensuring that matters that may pose a risk to the Company's performance or reputation are brought to the Board's attention at the earliest opportunity.
- Our anti-bribery and anti-corruption policy is reviewed by the Board annually and further sets out the responsibilities and expectations of our employees for the prevention, detection and reporting of bribery and other forms of corruption.
- We operate an independent whistleblowing service, which enables any employee to confidentially report on any issues around alleged wrongdoing or other Code contraventions.
- We ensure that any services delivered to our customers comply with relevant data privacy rules and are certified ISO:27001 compliant with respect to our handling of personal data relating to both customers and employees.

Streamlined Energy and Carbon Reporting (SECR)

In 2023 Cerillion Technologies Limited met the reporting threshold for Streamlined Energy and Carbon Reporting (SECR) disclosure for the first time. Under the reporting requirements, companies based in the UK are required to report on their energy usage. Cerillion Technologies Limited is the only UK subsidiary of Cerillion plc and so its energy usage has been disclosed below. All carbon emissions result from UK operations.

Our ESG Strategy on page 23 outlines the current policies and practices in place to reduce carbon emissions.

The following data meets the requirements of the SECR regulations. Cerillion Technologies Limited used a total of 323,841 kWh of energy in 2023, resulting in carbon emissions of 67,282 kgCO₂e. The data has been prepared using the GHG Reporting Protocol – Corporate Standard methodology, taking best available data and estimates where required. The reporting meets the minimum requirements for SECR and no voluntary emission sources have been stated.

The largest source was scope 2 electricity emissions, contributing 97.7% of total carbon emissions, with IT Equipment from four UK locations accounting for 81.9% of the company's emissions.

	Units	2023
ENERGY INPUTS:		
Total Purchased Electricity	kWh	317,535
Total Purchased Transport Fuels	kWh	6,306
Total Energy Use	kWh	323,841
EMISSIONS:		
Total Scope 1 emissions	kgCO2e	-
Scope 2 – Purchased Electricity - Office	kgCO2e	10,636
Scope 2 – Purchased Electricity – IT Equipment	kgCO2e	55,117
Total Scope 2 emissions	kgCO2e	65,753
Scope 3 – Combustion of transport fuels in employee owned vehicles where the company has purchased (or reimbursed) the fuel	kgCO2e	1,529
Total Scope 3 emissions	kgCO2e	1,529
Total Emissions	kgCO2e	67,282
Floor Area	m ²	960.3
Emissions per floor area	kgCO2e / m ²	70.1

It has been necessary to estimate some of the data shown in the above table, relating to the purchased electricity for IT equipment that is located in data centres at four separate locations in the UK.

Although some electricity is estimated by apportionment for the purchased electricity of the office space, this has not been included in the materiality estimate; these estimates are based on 'actual' consumption and are likely to have minimal impact on the data. However, the purchased electricity for the IT equipment is estimated based on estimated average power from sub meters. The materiality of increasing or decreasing the estimates by 10% for purchased electricity of IT equipment is +/- 8.2% of the total emissions for the Company.

Going concern

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

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

Financial risk management

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

Indemnity provision

The Company maintains insurance in respect of its directors and officers against liabilities they may incur in the performance of their duties which remains in force at the date of approval of the financial statements. The Company's Articles of Incorporation provide that the directors of the Company shall be indemnified by the Company, to the extent permitted by law, against any cost incurred by them in defending any proceedings brought against them arising out of their positions as directors.

Directors' Report

Continued

Research and development activities

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

The Group has expensed £572,000 (2022: £385,000) through the consolidated statement of comprehensive income during the year and has capitalised software development costs of £1,146,000 (2022: £965,000).

Dividends

Total dividends paid during the reporting period were £2,892,000 (2022: £2,243,000). Since the year end the directors have proposed the payment of a dividend in respect of the full financial year of 8.0p per fully paid Ordinary Share (2022: 6.5p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 September 2023, but not recognised as a liability at the year end is £2,361,000 (2022: £1,918,000).

Political donations

There were no political donations made during the year (2022: £nil).

Strategic Report

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

Subsequent events

In November 2023 a contract worth an initial €12.4m was signed with a new Tier-1 customer.

Independent Auditors

PricewaterhouseCoopers LLP have expressed willingness to continue in office. Their performance has been reviewed annually by the Audit Committee and, given the completion of the audit partner's five year term, the Committee have decided to conduct a formal audit tender process. PricewaterhouseCoopers LLP will be considered for reappointment alongside other audit firms. In accordance with section 489(4) of the Companies Act 2006, the appointment of next year's auditors will be put to the members at the forthcoming Annual General Meeting.

APPROVED ON BEHALF OF THE BOARD

L T Hall

Director

17 November 2023

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 September 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements

Continued

Our audit approach

Overview

Audit scope	<ul style="list-style-type: none">• We performed a full scope audit of Cerillion plc ("the Company"). Full scope audit procedures were also performed over Cerillion Technologies Limited, its wholly owned subsidiary, due to its financial significance to the group. Testing of specific account balances was also performed over Cerillion Technologies (India) Private Limited, a wholly owned subsidiary of Cerillion Technologies Limited.
Key audit matters	<ul style="list-style-type: none">• Software licence revenue recognition (group)• Capitalised development costs (group)• Impairment of investment (parent)
Materiality	<ul style="list-style-type: none">• Overall group materiality: £391,700 (2022: £327,260) based on 1% of total revenue.• Overall company materiality: £193,000 (2022: £200,800) based on 1% of total assets.• Performance materiality: £293,775 (2022: £245,445) (group) and £144,750 (2022: £150,600) (company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter

Software licence revenue recognition (group)

Refer to the Principal Accounting Policies, note 1(a) and note 2 for management disclosures of the relevant judgements and estimates.

Software licence revenue includes the licenced product and related services. Software revenue recognition is considered a significant audit risk as there can be significant judgement required in determining the performance obligations within a contract and whether these performance obligations are considered distinct for purposes of revenue recognition. The conclusions on whether performance obligations are distinct impacts whether revenue for core licenced product is recognised at a point in time or over time based on percentage of completion method. This method relies on the Group's internal measure of progress compared to total effort to complete the performance obligations and involves a high degree of estimation uncertainty.

The judgment and estimates involved in determining distinct performance obligations and assessing the percentage of contract completion could materially affect the timing and quantum of revenue and profit recognised in each period.

How our audit addressed the key audit matter

Our audit response included the following:

- Performing revenue transaction sample testing to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IFRS 15 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts and agreeing licence revenues to signed contracts or software licence agreements. We reviewed the terms and conditions of the contract to establish whether all performance obligations have been identified and for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities; ensuring appropriate allocation of the fair value of contract consideration and recognition of revenue for other deliverables included within the contract; and, we recalculated the amount of revenue recognised in comparison to amounts billed, for a sample of contract liability and contract asset revenue items to ensure it is in accordance with the revenue recognition principles.
- Assessing management's historical ability to estimate using the percentage of completion method by performing a retrospective review of prior year significant contracts.
- Considering the transparency and sufficiency of disclosures in the annual report.

Based on the work performed, as summarised above, we have concluded that software licence revenue recognition is materially appropriate.

Capitalised development costs (group)

Refer to the Principal Accounting Policies, note 1(a) and note 11 for management disclosures of the relevant judgements and estimates.

The Group capitalises eligible employment costs of its software developers, which are incurred on the development of its software products. In order to determine the amount of cost that should be capitalised, the Group must assess whether the cost meets the capitalisation criteria set out in the relevant accounting standards. Given the significant judgement involved in determining the amount to be capitalised and the value of amounts capitalised, this financial line item is susceptible to error and has been identified as a key audit matter.

Our audit response included the following:

- Considering whether expected revenue to be generated supports the total costs to be capitalised.
- Determining whether projects met the criteria for recognition of internally developed intangible assets in accordance with IAS 38.
- Performing tests of details on a sample basis, recalculating and agreeing amounts capitalised from the time and expenses system to payroll records.

Based on the work performed, as summarised above, we have concluded that amounts capitalised by the Group are materially appropriate.

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements Continued

Impairment of investment (parent)

Refer to the Principal Accounting Policies, note 1(b) and note 14 for management disclosures of the relevant judgements and estimates.

Investment in subsidiary is recorded at cost less any provision for permanent diminution in value. At each reporting date, an entity is required to assess whether there is any indication that an asset has been impaired (i.e. its carrying amount may be higher than its recoverable amount). If there are any indication that an asset may be impaired, then asset's recoverable amount must be calculated.

As at 30 September 2023, the Company holds investment with a carrying amount of £14,652,000 which is significant to the overall financial statements of the Company and has been identified as a key audit matter.

Our audit responses included the following:

- Determining whether there are external or internal indicators of impairment.
- Considering the financial position of subsidiaries to assess if there is any indicator of impairment.
- Inquiring management if they are aware of any indicators of impairment.

Based on the work performed, as summarised above, we concluded that there are no indicators of impairment.

How we tailored the audit scope

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

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

We performed a full scope audit of Cerillion plc ("the Company"). Full scope audit procedures were also performed over Cerillion Technologies Limited, its wholly owned subsidiary, due to its financial significance to the group. Testing of specific account balances was also performed over Cerillion Technologies (India) Private Limited, a wholly owned subsidiary of Cerillion Technologies Limited.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£391,700 (2022: £327,260).	£193,000 (2022: £200,800).
How we determined it	1% of total revenue	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report and the nature of the company, revenue is the primary measure used by the shareholders in assessing the performance of the group, and is a generally acceptable auditing benchmark.	Based on the benchmarks used in the annual report and the nature of the company, total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £193,000 - £352,530. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £293,775 (2022: £245,445) for the group financial statements and £144,750 (2022: £150,600) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £19,585 (group audit) (2022: £16,363) and £9,650 (company audit) (2022: £10,040) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model;
- Agreeing Cash and cash equivalents as at 30 September 2023 to third-party confirmations and considered the Group's available liquidity. This supported the Directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Reviewing management's base case and severe but plausible downside scenario, ensuring the directors have considered all appropriate factors, including the cash flows and the liquidity position of the Group; and
- Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom.

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

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

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements Continued

preparation of the financial statements is appropriate.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Independent Auditors' Report to the members of Cerillion plc

Report on the audit of the financial statements

Continued

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alex Hookway (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

17 November 2023

Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements have been applied consistently to all the years presented and 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 and domiciled in the United Kingdom. The address of its registered office is 25 Bedford Street, London, England, WC2E 9ES. The principal activity of the Group is the supply and development of telecommunication software solutions and equipment. These Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

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

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

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

Going concern

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

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

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiaries as of 30 September 2023. All subsidiaries have a reporting date of 30 September with the exception of the Indian subsidiary, which has a mandatory reporting date of 31 March. The Indian subsidiary is consolidated using its management accounts through to 30 September.

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

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

Principal Accounting Policies

Continued

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

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

New and Revised Standards

IFRS in issue but not applied in the current financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS applied for the first time in the current financial statements

The Group has applied the following Standards and Amendments for the first time for their annual reporting period commencing 1 October 2022:

- **Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16).** The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.
- **Reference to the Conceptual Framework (Amendments to IFRS 3).** The amendment updates the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.
- **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).** The amendments require clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

Segmental reporting

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

During the years ended 30 September 2023 and 30 September 2022, the Group was organised into four main business segments for revenue purposes:

- Services: relates to revenue from providing services to customers on new implementation projects and enhancements (see revenue recognition policy (i) and (iii) on pages 39 and 40).
- Software: relates to support and maintenance revenue derived from people using the software as well as the licences to use the software (see revenue recognition policy (i) and (ii) on pages 38 and 39).
- Software-as-a-Service: relates to monthly subscriptions for a managed service or to use products on a right to use basis (see revenue recognition policy (i) on pages 38 and 39).
- Third-Party: relates to revenue derived from third-party services or licences, re-billable expenses and pass through of selling on hardware (see revenue recognition policy (iv) on page 39).

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 the Statement of comprehensive income.

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

Revenue recognition

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

Principal Accounting Policies

Continued

Contract existence and term

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

Promises to a customer

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

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

Revenue to recognise: 'The transaction price'

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

Allocation of revenue

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

Recognising revenue

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

(i) Sale of standard licensed products

Revenue from standard licensed products comprises three elements, being:

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

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

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

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

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

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

(ii) Sale of additional licences

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

(iii) Ongoing account development work

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

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

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

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

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

Existence of a significant financing component

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

Contract costs

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

Principal Accounting Policies

Continued

Cost of sales

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

Taxation and deferred taxation

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

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

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

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

Leases

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rates range between 3% to 5%.

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

The right-of-use assets and lease liabilities have been disclosed separately on the face of the Statement of Financial Position, within

Principal Accounting Policies

Continued

Non-current assets and across Current & Non-current liabilities respectively.

Impairment

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

Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

Classification and subsequent measurement of financial liabilities

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

Trade payables

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

Interest-bearing loans and other borrowings

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

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

Equity

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

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

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

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

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

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

Provisions

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

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

Property, plant and equipment ("PPE")

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

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

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

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

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

Principal Accounting Policies

Continued

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

Intangible assets and amortisation

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

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

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

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

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

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

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

(ii) Goodwill

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

(iii) Purchased customer contracts

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

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

(iv) Intellectual property rights

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

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

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less any provision for impairment.

Interest

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

Post-retirement benefits

Defined contribution schemes

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

Long-term employee benefits

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

Exceptional items

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

Share-based employee remuneration

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

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

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

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

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

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium. Where shares are issued from Treasury to settle the exercise of share options there is no impact to share capital or share premium.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2023

	Notes	Year to 30 September 2023 £'000	Year to 30 September 2022 £'000
Revenue	2	39,170	32,726
Cost of sales		(8,364)	(7,221)
Gross profit		30,806	25,505
Operating expenses		(15,273)	(13,031)
Impairment losses on financial assets	3	(256)	(1,770)
Adjusted EBITDA*		18,083	13,750
Depreciation and amortisation		(2,597)	(2,986)
Share-based payment charge	22	(209)	(60)
Operating profit	3	15,277	10,704
Finance income	5	956	337
Finance costs	6	(119)	(146)
Profit before taxation		16,114	10,895
Taxation	7	(3,183)	(1,551)
Profit for the year		12,931	9,344
Other comprehensive (expense) / income			
Items that will or may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		(95)	70
Total comprehensive income for the year		12,836	9,414
Earnings per share			
Basic earnings per share – continuing and total operations	10	43.8 pence	31.7 pence
Diluted earnings per share – continuing and total operations		43.7 pence	31.6 pence

All transactions are attributable to the owners of the parent.

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

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

Consolidated Statement of Financial Position

For the year ended 30 September 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Goodwill	11	2,053	2,053
Other intangible assets	11	2,374	2,653
Property, plant and equipment	12	780	980
Right-of-use assets	13	2,352	3,057
Trade and other receivables	16	5,105	2,171
Deferred tax assets	15	268	260
		12,932	11,174
Current assets			
Trade and other receivables	16	15,115	11,205
Cash and cash equivalents	19	24,738	20,249
		39,853	31,454
TOTAL ASSETS		52,785	42,628
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	(1,200)	(934)
Lease liabilities	13	(2,178)	(3,050)
Deferred tax liabilities	15	(671)	(719)
		(4,049)	(4,703)
Current liabilities			
Trade and other payables	17	(10,871)	(10,217)
Lease liabilities	13	(980)	(976)
		(11,851)	(11,193)
TOTAL LIABILITIES		(15,900)	(15,896)
NET ASSETS		36,885	26,732
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Ordinary share capital	21	147	147
Share premium account		13,319	13,319
Treasury stock	21	-	-
Share option reserve		346	137
Foreign exchange reserve		(192)	(97)
Retained earnings		23,265	13,226
TOTAL EQUITY		36,885	26,732

The financial statements on pages 35 to 78 were approved and authorised for issue by the Board of Directors on 17 November 2023.
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 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Right-of-use assets	13	2,150	2,656
Investments in subsidiaries	14	14,652	14,652
		16,802	17,308
Current assets			
Trade and other receivables	16	2,330	2,066
Cash and cash equivalents	19	186	289
		2,516	2,355
TOTAL ASSETS		19,318	19,663
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	(2,171)	(2,803)
		(2,171)	(2,803)
Current liabilities			
Trade and other payables	17	(207)	(236)
Lease liabilities	13	(731)	(731)
		(938)	(967)
TOTAL LIABILITIES		(3,109)	(3,770)
NET ASSETS		16,209	15,893
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Ordinary share capital	21	147	147
Share premium account		13,319	13,319
Treasury stock	21	-	-
Share option reserve		346	137
Retained earnings		2,397	2,290
TOTAL EQUITY		16,209	15,893

The directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented the statement of comprehensive income for the Parent Company. The total comprehensive income for the year was £2,999,000 (2022: £2,999,000).

The financial statements on pages 35 to 78 were approved and authorised for issue by the Board of Directors on 17 November 2023. 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 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the year		12,931	9,344
Adjustments for:			
Taxation	7	3,183	1,551
Finance income	5	(956)	(337)
Finance costs	6	119	146
Share option charge	22	209	60
Depreciation	12,13	1,171	1,085
Amortisation	11	1,426	1,901
		18,083	13,750
Increase in trade and other receivables		(6,468)	(1,182)
Increase in trade and other payables		671	1,324
Cash generated from operations		12,286	13,892
Finance costs	6	(119)	(146)
Finance income	5	580	337
Tax paid		(2,997)	(1,745)
NET CASH GENERATED FROM OPERATING ACTIVITIES		9,750	12,338
Cash flows from investing activities			
Capitalisation of intangible assets	11	(1,147)	(983)
Purchase of property, plant and equipment	12	(278)	(626)
NET CASH USED IN INVESTING ACTIVITIES		(1,425)	(1,609)
Cash flows from financing activities			
Purchase of treasury stock		-	(827)
Receipts from exercise of share options		-	122
Principal elements of finance leases	13	(868)	(807)
Dividends paid	9	(2,892)	(2,243)
NET CASH USED IN FINANCING ACTIVITIES		(3,760)	(3,755)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,565	6,974
Translation differences		(76)	101
Cash and cash equivalents at beginning of year		20,249	13,174
CASH AND CASH EQUIVALENTS AT END OF YEAR		24,738	20,249

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 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the year		2,999	2,999
Adjustments for:			
Taxation		-	-
Depreciation	13	506	506
Finance costs		99	118
Share option recharge to subsidiary	22	209	60
		3,813	3,683
(Increase)/decrease in trade and other receivables		(264)	22
(Decrease)/increase in trade and other payables		(28)	36
Cash generated from operations		3,521	3,741
Finance costs		(99)	(118)
Tax paid		(1)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES		3,421	3,623
Cash flows from financing activities			
Purchase of treasury stock		-	(827)
Receipts from exercise of share options		-	122
Principal elements of finance leases		(632)	(613)
Dividends paid	9	(2,892)	(2,243)
NET CASH USED IN FINANCING ACTIVITIES		(3,524)	(3,561)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(103)	62
Cash and cash equivalents at beginning of year		289	227
CASH AND CASH EQUIVALENTS AT END OF YEAR		186	289

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

Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	Ordinary share capital £'000	Share premium account £'000	Treasury stock £'000	Share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2021	147	13,319	-	128	(167)	6,778	20,205
Profit for the year	-	-	-	-	-	9,344	9,344
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	70	-	70
Total comprehensive income	-	-	-	-	70	9,344	9,414
Transactions with owners:							
Share option charge	-	-	-	60	-	-	60
Purchase of treasury stock	-	-	(827)	-	-	-	(827)
Exercise of share options	-	-	827	(51)	-	(653)	123
Dividends	-	-	-	-	-	(2,243)	(2,243)
Total transactions with owners	-	-	-	9	-	(2,896)	(2,887)
Balance as at 30 September 2022	147	13,319	-	137	(97)	13,226	26,732

	Ordinary share capital £'000	Share premium account £'000	Treasury stock £'000	Share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2022	147	13,319	-	137	(97)	13,226	26,732
Profit for the year	-	-	-	-	-	12,931	12,931
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(95)	-	(95)
Total comprehensive income	-	-	-	-	(95)	12,931	12,836
Transactions with owners:							
Share option charge	-	-	-	209	-	-	209
Dividends	-	-	-	-	-	(2,892)	(2,892)
Total transactions with owners	-	-	-	209	-	(2,892)	(2,683)
Balance as at 30 September 2023	147	13,319	-	346	(192)	23,265	36,885

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 2023

	Ordinary share capital £'000	Share premium £'000	Treasury Stock £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2021	147	13,319	-	128	2,187	15,781
Profit for the year	-	-	-	-	2,999	2,999
Total comprehensive income	-	-	-	-	2,999	2,999
Transactions with owners:						
Share option charge	-	-	-	60	-	60
Purchase of treasury stock	-	-	(827)	-	-	(827)
Exercise of share options	-	-	827	(51)	(653)	123
Dividends	-	-	-	-	(2,243)	(2,243)
Total transactions with owners	-	-	-	9	(2,896)	(2,887)
Balance as at 30 September 2022	147	13,319	-	137	2,290	15,893

	Ordinary share capital £'000	Share premium £'000	Treasury Stock £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2022	147	13,319	-	137	2,290	15,893
Profit for the year	-	-	-	-	2,999	2,999
Total comprehensive income	-	-	-	-	2,999	2,999
Transactions with owners:						
Share option charge	-	-	-	209	-	209
Dividends	-	-	-	-	(2,892)	(2,892)
Total transactions with owners	-	-	-	209	(2,892)	(2,683)
Balance as at 30 September 2023	147	13,319	-	346	2,397	16,209

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 2023

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

1 (a) Critical accounting estimates and judgements

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

Judgements

(i) Capitalisation of development costs

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

(ii) Revenue recognition

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

Estimates

(i) Revenue recognition

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

(ii) 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.

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

1 (b) Other sources of estimation uncertainty

(i) Recoverability of trade debtors and accrued income

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

(ii) Calculation of future minimum lease payments

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

Notes to the Financial Statements

For the year ended 30 September 2023

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

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

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

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

2 Segment information

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

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

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

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

	2023 £'000	2022 £'000
Revenue		
Services	15,540	18,272
Software	16,653	9,854
Software-as-a-Service	4,401	3,006
Third-party	2,576	1,594
Total revenue	39,170	32,726

The following table provides a reconciliation of the revenue by segment to the revenue recognition accounting policy as outlined on pages 37 to 39. Revenue recognised on performance obligations partially satisfied in previous periods was £29,993,000 (2022: £19,929,000).

Year ended 30 September 2023

	£'000	(i) £'000	Accounting policies (ii) £'000	(iii) £'000	(iv) £'000	Total £'000
Services	15,540					
implementation fees		7,683	-	-	-	7,683
ongoing account development work		-	-	7,857	-	7,857
Software	16,653					
initial licence fees		6,055	-	-	-	6,055
sale of additional licences		-	2,091	-	-	2,091
ongoing maintenance and support fees*		8,507	-	-	-	8,507
Software-as-a-Service	4,401	4,401	-	-	-	4,401
Third-Party	2,576	-	-	-	2,576	2,576
Total	39,170	26,646	2,091	7,857	2,576	39,170

* Includes maintenance and support performed by third parties.

Year ended 30 September 2022

	£'000	(i) £'000	Accounting policies (ii) £'000	(iii) £'000	(iv) £'000	Total £'000
Services	18,272					
implementation fees		6,598	-	-	-	6,598
ongoing account development work		-	-	11,674	-	11,674
Software	9,854					
initial licence fees		765	-	-	-	765
sale of additional licences		-	1,612	-	-	1,612
ongoing maintenance and support fees*		7,477	-	-	-	7,477
Software-as-a-Service	3,006	3,006	-	-	-	3,006
Third-Party	1,594	-	-	-	1,594	1,594
Total	32,726	17,846	1,612	11,674	1,594	32,726

* Includes maintenance and support performed by third parties.

(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:

Notes to the Financial Statements

For the year ended 30 September 2023

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	UK & Europe £'000	MEA £'000	Americas £'000	Asia Pacific £'000
Year ended/As at 30 September 2023				
Revenue – by customer location	19,452	10,722	7,887	1,109
Capital expenditure	1,402	-	-	23
Non-current assets	12,438	-	-	494
Total assets	51,633	-	-	1,152
Trade receivables – by customer location	2,247	396	21	193
Accrued income – by customer location	5,875	6,896	2,770	2
Net assets	36,938	-	-	(53)

	UK & Europe £'000	MEA £'000	Americas £'000	Asia Pacific £'000
Year ended/As at 30 September 2022				
Revenue – by customer location	20,389	3,166	7,938	1,233
Capital expenditure	1,548	-	-	60
Non-current assets	10,496	-	-	678
Total assets	41,100	-	-	1,528
Trade receivables – by customer location	1,129	1,007	164	203
Accrued income – by customer location	7,607	1,405	813	28
Net assets	26,519	-	-	213

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

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

Customer	Operating segment	2023 £'000	2022 £'000
No. 1	MEA	7,719	506
No. 2	Americas	5,693	3,418
No. 3	Europe	5,259	4,818
No. 4	UK	2,382	3,400

3 Operating profit

	2023 £'000	2022 £'000
Operating profit is stated after (crediting)/charging:		
Employee benefits expenses (note 4)	15,933	13,943
Depreciation	1,171	1,085
Amortisation of intangibles	1,426	1,901
Research and development costs	572	385
Impairment losses on financial assets	256	1,770
Foreign exchange losses/(gains)	251	(367)
Operating leases	280	157
Fees payable to Cerillion's principal auditors:		
- Audit of Cerillion plc's annual financial statements	20	14
- Audit of subsidiaries	110	80
- Non-audit services – tax services	6	81
- Non-audit services – other services	30	4
Fees payable to associates of principal auditors:		
- Audit of subsidiaries	9	9
Other costs	3,829	2,960
Total cost of sales, operating expenses and impairment losses on financial assets	23,893	22,022

The impairment losses on financial assets relates to the provisions made against the risk of non-recovery of receivables. The write-off during the prior year was predominantly due to an assessment over certain implementation work that may not be fully recoverable.

Notes to the Financial Statements

For the year ended 30 September 2023

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4 Directors and employees

Group	2023 £'000	2022 £'000
Employee costs (including Directors):		
Wages and salaries	14,405	12,596
Social security costs	971	957
Share-based payments	209	60
Other pensions costs	348	330
	15,933	13,943

	2023 Number	2022 Number
The average number of employees (including Directors) during the year was made up as follows:		
Management and administration	30	27
Sales and marketing	19	18
Support and development staff	270	245
Executive directors	2	2
Non-executive directors	3	3
	324	295

The Company's employees comprise the five directors only (2022: 5). For details of directors' remuneration and key management personnel refer to note 24.

5 Finance income

	2023 £'000	2022 £'000
Finance income:		
Bank interest	580	75
Unwinding discount of contracts with significant financing component	376	262
	956	337

6 Finance costs

	2023 £'000	2022 £'000
Finance costs:		
Interest and finance charges for lease liabilities	(111)	(134)
Other interest payable	(8)	(12)
	(119)	(146)

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:

	2023 £'000	2022 £'000
Current tax expense - UK	3,074	1,525
Current tax - adjustment in respect of prior year	(9)	1
Current tax expense - overseas	198	197
Current tax expense - total	3,263	1,723
Deferred tax credit	(85)	(154)
Deferred tax - adjustment in respect of prior year	5	(18)
Deferred tax credit - total	(80)	(172)
Total tax charge	3,183	1,551

(b) Factors affecting total tax for the year

The tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the United Kingdom 22.0% (2022: 19.0%). The differences are explained as follows:

Profit on ordinary activities before tax	16,114	10,895
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 22.0% (2022: 19.0%)	3,542	2,070
Effect of:		
Expenses not deductible for tax purposes	287	258
Difference in tax rates	5	15
Other temporary differences	51	(52)
Foreign tax - other	13	(8)
Prior year tax adjustment	(9)	1
Prior year tax adjustment - deferred tax	5	(18)
Other permanent differences - relating to share options	-	(135)
Enhanced relief for research and development	(711)	(580)
Total tax charge	3,183	1,551

There are currently no recognised or unrecognised deferred tax assets or liabilities within the Parent Company financial statements. In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax rate will increase from 19% to 25%. This new rate was substantively enacted on 24 May 2021 and therefore its impact was reflected in the measurement of deferred taxes in the prior year financial statements. In the current year ended 30 September 2023, the impact of the increase to 25% from 1 April 2023 resulted in the standard tax rate of 22.0%.

Notes to the Financial Statements

For the year ended 30 September 2023

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8 Profit attributable to Cerillion plc

The profit for the financial year of the Parent Company, Cerillion plc was £2,999,000 (2022: £2,999,000). As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Parent Company.

9 Dividends

(a) Dividends paid during the reporting period

The Board paid the final dividend in respect of 2022 of 6.5p per share, on 7 February 2023, and declared and paid an interim 2023 dividend of 3.3p (2022: 2.6p) per share on 23 June 2023. Total dividends paid during the reporting period were £2,892,000 (2022: £2,243,000).

(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 8.0p per fully paid Ordinary Share (2022: 6.5p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 September 2023, but not recognised as a liability at the year end is £2,361,000 (2022: £1,918,000). Since the year end the directors of Cerillion Technologies Limited have approved a £5.0 million dividend to Cerillion plc.

10 Earnings per share

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

	2023	2022
Profit attributable to equity holders of the Company (£'000)	12,931	9,344
Weighted average number of Ordinary Shares in issue (number)	29,513,486	29,513,486
Less weighted average number of shares held in Treasury	(12)	(10,627)
Weighted average number of Ordinary Shares in issue (number)	29,513,474	29,502,859
Effect of share options in issue	107,894	56,858
Weighted average shares for diluted earnings per share	29,621,368	29,559,717
Basic earnings per share (pence per share)	43.8	31.7
Diluted earnings per share (pence per share)	43.7	31.6

11 Intangible assets

Group	Goodwill £'000	Purchased customer contracts £'000	Intellectual property rights £'000	Software development costs £'000	External software licences £'000	Total £'000
Cost						
At 1 October 2021	2,053	4,383	2,567	5,254	252	14,509
Additions	-	-	-	965	18	983
At 30 September 2022	2,053	4,383	2,567	6,219	270	15,492
Additions	-	-	-	1,146	1	1,147
At 30 September 2023	2,053	4,383	2,567	7,365	271	16,639
Amortisation						
At 1 October 2021	-	3,444	2,017	3,203	221	8,885
Provided in the year	-	626	367	885	23	1,901
At 30 September 2022	-	4,070	2,384	4,088	244	10,786
Provided in the year	-	313	183	915	15	1,426
At 30 September 2023	-	4,383	2,567	5,003	259	12,212
Net book amount at 30 September 2023	2,053	-	-	2,362	12	4,427
Net book amount at 30 September 2022	2,053	313	183	2,131	26	4,706

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

The carrying value of goodwill included within the Cerillion plc consolidated statement of financial position is £2,053,000 (2022: £2,053,000), 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 2023, less an estimate of costs to sell, there is significant headroom above the carrying value of the cash-generating unit and therefore no impairment exists. The calculations show that a reasonably possible change, as assessed by the directors, would not cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the Financial Statements

For the year ended 30 September 2023

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12 Property plant and equipment

Group	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 October 2021	731	1,605	294	2,630
Additions	-	623	3	626
Disposals	-	(59)	-	(59)
Exchange difference	28	24	10	62
At 30 September 2022	759	2,193	307	3,259
Additions	-	244	34	278
Exchange difference	(31)	(31)	(12)	(74)
At 30 September 2023	728	2,406	329	3,463
Accumulated Depreciation				
At 1 October 2021	376	1,208	287	1,871
Provided in the year	72	335	5	412
Disposals	-	(59)	-	(59)
Exchange difference	23	22	10	55
At 30 September 2022	471	1,506	302	2,279
Provided in the year	71	385	10	466
Exchange difference	(26)	(24)	(12)	(62)
At 30 September 2023	516	1,867	300	2,683
Net book amount at 30 September 2023	212	539	29	780
Net book amount at 30 September 2022	288	687	5	980

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

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

13 Leases

Group

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

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

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

Right-of-use assets	Group		Company	
	30 September 2023 £'000	30 September 2022 £'000	30 September 2023 £'000	30 September 2022 £'000
Properties	2,343	3,044	2,150	2,656
IT Equipment	9	13	-	-
	2,352	3,057	2,150	2,656

Lease liabilities	Group		Company	
	30 September 2023 £'000	30 September 2022 £'000	30 September 2023 £'000	30 September 2022 £'000
Current	980	976	731	731
Non-current	2,178	3,050	2,171	2,803
	3,158	4,026	2,902	3,534

Additions to the right-of-use assets during the 2023 financial year were £nil (2022: £131,000). There were lease disposals during the year with net book value totalling £nil (2022: £106,000).

(ii) Amounts recognised in the consolidated statement of comprehensive income

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

Depreciation charge of right-of-use assets	30 September 2023 £'000	30 September 2022 £'000
Properties	701	672
IT Equipment	4	1
	705	673
Interest expense (included in finance cost)	111	134
Expense relating to short-term leases (included in operating expenses)	261	157
Expenses relating to low value assets that are not shown above as short-term leases (included in operating expenses)	19	-

The total cash outflow for leases in 2023 was £979,000 (2022: £941,000).

The property within the Company had a depreciation charge for the year of £506,000 (2022: £506,000).

Notes to the Financial Statements

For the year ended 30 September 2023

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14 Investments in subsidiaries

At 30 September 2023 the Company's subsidiary undertakings, all of which have been included in the Group financial statements, were:

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

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

** includes holdings held indirectly through Cerillion Inc

*** For the purpose of the Group financial statements for the year ended 30 September 2023, management accounts have been drawn up to 30 September 2023.

Cerillion Inc's registered office is: c/o Cohen & Grigsby, 625 Liberty Avenue, Pittsburgh, PA 15222-3152, USA. Cerillion Technologies India Private Limited's registered office is: Tower V, Wing 2B, Cyber City, Magarpatta City, Hadapsar, Pune 411013, India. Cerillion Technologies EOOD was incorporated during the year on 8 September 2023, and its registered office is: 47A Cherni Vrah Blvd, Floor 5, Sofia 1407, Bulgaria.

The Company

Investments in subsidiary undertakings
£'000

Cost and net book value:

As at 1 October 2021	14,652
Additions	-
As at 30 September 2022	14,652
Additions	-
As at 30 September 2023	14,652

15 Deferred tax

Deferred tax asset
Group

Accelerated capital allowances
£'000

Other temporary differences
£'000

Total
£'000

1 October 2021	21	188	209
Foreign exchange movement on opening deferred tax asset	3	19	22
Credited to statement of comprehensive income	2	27	29
30 September 2022	26	234	260

Group	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
1 October 2022	26	234	260
Foreign exchange movement on opening deferred tax asset	(4)	(20)	(24)
Credited to statement of comprehensive income	4	28	32
30 September 2023	26	242	268

Deferred tax liabilities

Group

Part of the deferred tax liability arose in respect of the fair value uplift of intangible assets, with £1,320,000 arising on the acquisition of Cerillion Technologies Limited in March 2016 and £71,000 relating to the acquisition of "Net Solutions Services" by Cerillion Technologies Limited in 2015, which has been written down to £nil as at 30 September 2023 (2022: £95,000). The deferred tax liabilities also include £671,000 (2022: £624,000), which is driven by expected future amortisation on R&D intangibles in Cerillion Technologies Limited where full relief has been taken in the year the assets were capitalised. This amortisation will be treated as non-deductible for corporation tax purposes and therefore a deferred tax liability arises.

	2023 £'000	2022 £'000
At 1 October	719	862
Debited to statement of comprehensive income in respect of net ACAs & other temporary differences	47	46
Credited to statement of comprehensive income in respect of acquisitions	(95)	(189)
As at 30 September	671	719

There are no deferred tax assets or deferred tax liabilities recognised within the Parent Company as at 30 September 2023 (2022: £nil).

16 Trade and other receivables and other contract balances

Contract balances

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

	2023 £'000	Group 2022 £'000
Trade receivables	2,857	2,503
Contract assets	15,543	9,853
Contract liabilities	5,039	4,613

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

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

Notes to the Financial Statements

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

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

Significant changes in the contract assets and contract liabilities balances during the period are driven by the timing of income recognition and when associated invoices are raised. Specifically, revenue recognised in the year in relation to deferred income brought forward from prior years of £4,195,000 (2022: £4,105,000).

When certain costs to acquire a contract meet defined criteria, those costs are deferred as contract assets. The total amount of deferred contract assets (commission fees recognised in prepaid assets) are £132,000 (2022: £226,000). The total amount of accrued costs to acquire a contract are £352,000 (2022: £305,000).

The total amount of revenue allocated to unsatisfied performance obligations is £36,732,000 (2022: £37,420,000). It is estimated that 45% will be recognised over the next 12 months, the remainder over the following years thereafter.

There are no contract balances within the Parent Company (2022: £nil).

Current receivables	2023 £'000	Group 2022 £'000	2023 £'000	Company 2022 £'000
Trade receivables	2,857	2,503	-	-
Accrued income	10,507	7,759	-	-
Amounts owed by Group undertakings	-	-	2,320	2,058
Other receivables	536	311	-	-
Prepayments	1,215	632	10	8
	15,115	11,205	2,330	2,066

Non-current receivables	2023 £'000	Group 2022 £'000	2023 £'000	Company 2022 £'000
Accrued income	5,036	2,094	-	-
Other receivables	69	77	-	-
	5,105	2,171	-	-

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

Credit quality of receivables

A detailed review of the credit quality of each client is completed before an engagement commences. The credit risk relating to trade receivables is analysed as follows:

	2023 £'000	2022 £'000
Group		
Trade receivables	3,219	2,744
Specific provision	(304)	(193)
ECL provision	(377)	(232)
	2,538	2,319

The ECL Provision above includes an amount relating to accrued income of £319,000 (2022: £184,000).

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.

Movements in the provision for the impairment of trade receivables and accrued income were as follows:

	Specific Provision £'000	ECL provision £'000
Balance at the beginning of the year	193	232
Charged for the year	111	377
Utilised for the year	-	(232)
Balance at the end of the year	304	377

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.

	2023 £'000	2022 £'000
Group		
Not past due	1,432	1,714
Up to 3 months	1,318	735
3 to 6 months	57	6
Older than 6 months	50	48
	2,857	2,503

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Of the trade debt older than 6 months as at 30 September 2023, being £50,000 (2022: £48,000), cash of £nil (2022: £8,000) has been received since the year end.

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

	2023 £'000	2022 £'000
Group		
Not past due	28	33
Up to 3 months	28	14
3 to 6 months	1	150
Older than 6 months	305	45
	362	242

17 Trade and other payables

	Group		Company	
Current trade and other payables	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	858	1,154	77	97
Taxation	1,052	776	-	1
Other taxation and social security	453	495	59	64
Pension contributions	51	46	-	-
Other payables	342	382	-	-
Provisions	141	118	-	-
Accruals	3,389	3,001	71	74
Deferred income	4,585	4,245	-	-
	10,871	10,217	207	236

Movements in the provisions were as follows:

	Dilapidations Provision £'000
Balance at the beginning of the year	118
Charged/(released) for the year	23
Balance at the end of the year	141

The dilapidations provision relates to the full expected cost of dilapidations across the Group's properties.

	Group		Company	
Non-current trade and other payables	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Other payables	746	567	-	-
Deferred income	454	367	-	-
	1,200	934	-	-

The directors consider that the carrying amount of trade and other payables and provisions approximates to their fair values. The non-current other payable above relates to provisions for gratuity and long-term bonuses within the Indian subsidiary.

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

Long-term bonus - The employees (Band II, III and IV only) are eligible for a loyalty bonus at 20% of annual total fixed pay as at the end of the third year, 10% of annual total fixed pay as at the end of four and half years and 10% of annual total fixed pay as at the end of the sixth year provided they are employed with the Indian subsidiary, Cerillion Technologies India Private Limited, for at least three years/four and half years/six years, as the case maybe, after completion of probationary period. The Group's liability is actuarially determined at the end of each year. Actuarial losses/gains are recognised in the Statement of Comprehensive Income in the year in which they arise. There is an additional scheme in place which pays at up to 25% of annual total fixed pay at the end of eleven years of service.

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

	Gratuity		Long-term bonus	
	2023	2022	2023	2022
Discount rate	7.40%	7.50%	7.40%	7.50%
Salary increment rate	13.00%	15.00%	13.00%	15.00%
Withdrawal rate	10.00%	15.00%	10.00%	15.00%

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

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

18 Borrowings and financial liabilities

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current liabilities:				
Lease liabilities	980	976	731	731
Non-current liabilities:				
Lease liabilities	2,178	3,050	2,171	2,803
	3,158	4,026	2,902	3,534

There are currently no other borrowings within the Group.

Notes to the Financial Statements

For the year ended 30 September 2023

Continued

Group	Non-current Lease liabilities £'000	Current Lease liabilities £'000	Total £'000
1 October 2022	3,050	976	4,026
Cash-flows:			
Repayment	-	(979)	(979)
Accrued interest	-	111	111
Non-cash:			
Reclassification	(872)	872	-
30 September 2023	2,178	980	3,158
1 October 2021	3,866	948	4,814
Cash-flows:			
Repayment	-	(941)	(941)
Accrued interest	-	134	134
Non-cash:			
Additions	-	125	125
Foreign exchange revaluation	-	(106)	(106)
Reclassification	(816)	816	-
30 September 2022	3,050	976	4,026

Company	Non-current Lease liabilities £'000	Current Lease liabilities £'000	Total £'000
1 October 2022	2,803	731	3,534
Cash-flows:			
Repayment	-	(731)	(731)
Accrued interest	-	99	99
Non-cash:			
Reclassification	(632)	632	-
30 September 2023	2,171	731	2,902
1 October 2021	3,416	731	4,147
Cash-flows:			
Repayment	-	(731)	(731)
Accrued interest	-	118	118
Non-cash:			
Reclassification	(613)	613	-
30 September 2022	2,803	731	3,534

19 Financial instruments and risk management

Group - Financial instruments by category	2023 £'000	2022 £'000
Financial assets – measured at amortised cost		
Non-current		
Accrued income	5,036	2,094
Other receivables	69	77
	5,105	2,171
Current		
Trade and other receivables	3,393	2,814
Accrued income	10,507	7,759
Cash and cash equivalents	24,738	20,249
	38,638	30,822

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

Financial liabilities - held at amortised cost	2023 £'000	2022 £'000
Non-current		
Trade and other payables	746	567
Lease liabilities	2,178	3,050
	2,924	3,617
Current		
Lease liabilities	980	976
Trade and other payables	1,200	1,536
Pension costs	51	46
Accruals & provisions	3,530	3,119
	5,761	5,677

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

Company - Financial instruments by category	2023 £'000	2022 £'000
Financial assets – measured at amortised cost		
Current		
Amounts owed by Group undertakings & other receivables	2,320	2,058
Cash and cash equivalents	186	289
	2,506	2,347

Notes to the Financial Statements

For the year ended 30 September 2023

Continued

Financial liabilities - held at amortised cost	2023 £'000	2022 £'000
Non-current		
Lease liabilities	2,171	2,803
	2,171	2,803
Current		
Lease liabilities	731	731
Trade and other payables	77	97
Accruals	71	74
	879	902

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

There were no derivative financial instruments in existence as at 30 September 2023 (2022: £nil).

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

Credit quality of financial assets

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

	2023 £'000	2022 £'000
Trade receivables		
Group 1	86	26
Group 2	2,766	2,466
Group 3	5	11
	2,857	2,503

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

At the year end there are 7 customers (2022: 4 customers) with trade receivable balances each representing in excess of 5% of the total trade receivables of £2,857,000 (2022: £2,503,000). Of these customers, none are categorised within Group 1 (2022: none), 7 are within Group 2 representing 90% of total trade receivables (2022: 4 customers), with none in Group 3 (2022: none).

There are no trade receivables within the Parent Company.

	2023 £'000	2022 £'000
Cash at bank and short-term deposits		
A1	24,735	20,246
Not rated	3	3
	24,738	20,249

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

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

Market risk – foreign exchange risk

Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars (USD), Danish Krone (DKK) 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 2023 the Group had no forward foreign exchange contracts in place (2022: none) to mitigate exchange rate exposure.

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 £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
30 September 2023						
Financial assets	81	3,062	5,580	923	2,782	187
Financial liabilities	-	(103)	(18)	(1,109)	-	-
Total exposure	81	2,959	5,562	(186)	2,782	187

	AUD £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
30 September 2022						
Financial assets	339	1,341	3,553	1,110	1,855	227
Financial liabilities	-	(155)	(3)	(981)	-	-
Total exposure	339	1,186	3,550	129	1,855	227

Notes to the Financial Statements

For the year ended 30 September 2023

Continued

The following table illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities and the US Dollar, Australian Dollar, Euro, Indian Rupee, Danish Krone and Brunei Dollar to GBP exchange rate 'all other things being equal'. It assumes a +/- 10% change to each of the foreign currency to GBP exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

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

30 September 2023	AUD £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
Loss for the year	(7)	(269)	(506)	17	(253)	(17)
Equity total	(7)	(269)	(506)	17	(253)	(17)

30 September 2022	AUD £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
Loss for the year	(31)	(108)	(323)	(12)	(169)	(21)
Equity total	(31)	(108)	(323)	(12)	(169)	(21)

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

30 September 2023	AUD £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
Gain for the year	9	329	618	(21)	309	21
Equity total	9	329	618	(21)	309	21

30 September 2022	AUD £'000	USD £'000	EUR £'000	INR £'000	DKK £'000	BND £'000
Gain for the year	38	132	394	14	206	25
Equity total	38	132	394	14	206	25

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

Market Risk – cash flow interest rate risk

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

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 £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
30 September 2023				
Lease liabilities	936	763	1,645	-
Trade and other payables	6,286	746	-	-

30 September 2022				
Lease liabilities	977	958	2,224	183
Trade and other payables	5,971	567	-	-

Capital risk management

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

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

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

The capital structure consists of the Group's equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. As of the year ended 30 September 2023 the Group's total managed capital amounted to £36,885,000 (2022: £26,732,000); Company's capital as of 30 September 2023 was £16,209,000 (2022: £15,893,000).

20 Fair value measurement of financial instruments

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

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

There were no derivative financial instruments in existence nor any other financial instruments measured at fair value on a recurring basis at 30 September 2023 (2022: £nil).

There were no transfers between Level 1 and Level 2 in 2023 or 2022 and no derivative financial instruments within the Group.

Measurement of fair value of financial instruments

Notes to the Financial Statements

For the year ended 30 September 2023

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

21 Share capital

	2023 £'000	2022 £'000
Issued, allotted, called up and fully paid:		
29,513,486 (2022: 29,513,486) Ordinary Shares of 0.5 pence	147	147

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

At the year end there were 12 shares (2022: 12 shares remaining in Treasury Stock) at an average cost of £2.10 per share (2022: £2.10).

22 Share-based payments

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

A new Save as You Earn ("SAYE") share option scheme and a new Long-Term Incentive Plan ("LTIP") were introduced in 2021 and additional options were granted during the year ended 30 September 2023 under the SAYE scheme. A charge of £209,000 (2022: £60,000) has been reflected in the consolidated statement of comprehensive income, with the corresponding entry recognised within the share option reserve.

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

Year of grant Scheme	2023 SAYE	2022 LTIP
Exercise price (£)	9.28	0.005
Number of options granted	27,766	15,000
Vesting period (years)	3 years	3 to 4 years
Option life (years)	3.5 years	3 to 4 years
Risk free rate	3.19%	1.75%
Volatility	39%	109%
Dividend yield	3.00%	1% to 2%
Fair value (£)	3.88	9.45

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

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

	2023 Number of options	2023 Weighted average exercise price £	2022 Number of options	2022 Weighted average exercise price £
Outstanding at start of year	154,008	2.46	278,912	2.03
Granted	27,766	9.28	15,000	0.005
Lapsed	(1,824)	(5.92)	(28,090)	(2.29)
Exercised	-	-	(111,814)	(1.092)
Outstanding at 30 September	179,950	3.48	154,008	2.46
Exercisable at 30 September	-	-	-	-

For the options outstanding at 30 September 2023, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 30 September 2023 until the lapse date of each share option) are set out below:

	Weighted average fair value of options outstanding £	Weighted average remaining contractual life Years
LTIP 2021	4.39	3.49
SAYE 2021	2.03	1.34
LTIP 2022	9.45	4.41
SAYE 2023	3.88	2.84

23 Retirement benefits

The Group operates a 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 £348,000 (2022: £330,000). At the year end the contributions payable to the scheme were £51,000 (2022: £46,000). In addition to this there are retirement benefits relating to the India subsidiary which are disclosed in note 17.

24 Related party transactions

(i) Remuneration of Key Management Personnel

The Group and Company consider that the directors are their key management personnel and further detail of their remuneration is disclosed in the Remuneration report for 2023.

Directors' remuneration was as follows:	2023 £'000	2022 £'000
Aggregate remuneration	1,083	1,039
Pension contributions	36	15
	1,119	1,054

No retirement benefits are accruing to directors under a defined benefit scheme (2022: £nil). Retirement benefits are accruing to two directors under a defined contribution scheme (2022: 2 Directors).

Notes to the Financial Statements

For the year ended 30 September 2023

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Highest paid Director:	2023 £'000	2022 £'000
Aggregate remuneration	717	659
Pension contributions	22	-
	739	659

No key personnel other than the directors have been identified in relation to the year ended 30 September 2023 (2022: none).

(ii) Related party transactions

The aggregate dividends paid to directors during the year were £881,000 (2022: £683,000). No other related party transactions took place during the year (2022: none).

25 Charge over assets

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

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

26 Contingent assets / liabilities

From time to time, due to the nature of our business, disputes with customers may arise. We do not currently believe that any potential claims would either have more than a remote likelihood of resulting in a material exposure to the Group, or would result in a liability that would not be fully covered by insurance.

27 Subsequent events

In November 2023 a contract worth an initial €12.4m was signed with a new Tier-1 customer.

28 Ultimate controlling party

In the opinion of the directors, there was no ultimate controlling party at 30 September 2023 or 30 September 2022.

Notes

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