CERILLION TECHNOLOGIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2022

Company no 03849601

Company registration number:	03849601
Registered office:	25 Bedford Street London England WC2E 9ES
Directors:	A R Dickson L T Hall G J O'Connor A M Howarth
Secretary:	A R Dickson
Bankers:	HSBC UK Bank plc 69 Pall Mall St James London SW1Y 5EY
Solicitors:	Orrick, Herrington & Sutcliffe (Europe) LLP 107 Cheapside London EC2V 6DN
Independent Auditors:	PricewaterhouseCoopers LLP Registered Auditors Chartered Accountants 3 Forbury Place 23 Forbury Road Reading, Berkshire RG1 3JH

INDEX	**PAGE**

The directors present their strategic report for the year ended 30 September 2022.

Principal activities

The principal activity of the Company is a supplier and developer of telecommunication software solutions and equipment.

Business review and key performance indicators

Total revenue for the year to 30 September 2022 rose by 26% to £32.7m (2021: £26.1m). 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 98% of the overall result (2021: 96%).

Recurring revenue, which is derived from support and maintenance and managed service contracts, increased by 21% to £10.5m and comprised approximately 32% of total revenue (2021: £8.6m, 33%). At 30 September 2022, recurring revenue on an annualised basis was 25% higher year-on-year at £12.4m (30 September 2021: £9.9m), boosted by a 67% increase in annualised managed service contract revenue (2021: 36%) as more customers contracted for these services.

Cerillion continued to consolidate its position in the telecoms enterprise software market in FY2022, with the addition of new customers and the enhancement of the product set through continued R&D. Turnover increased by 26 % to £32.7m (2021: £26.1m) whilst generating a 32.9% operating profit margin (2021: 31.1%). Operating profit increased due to the increase in revenue as well as operational leverage. The company ended the year with net assets of £21.9m (2021: £15.4m) of which £19.4m was cash (2021: £12.6m).

Whilst the coronavirus pandemic is no longer directly affecting business operations, the global experience of remote working – still in place in many economies – has continued to emphasise the dependence of the world economy on state-of-the-art telecoms infrastructure. Over the year, we continued to see high levels of investment in the sector in general, and an acceleration of investment in 5G and fibre rollouts, with spending trickling down from core network improvements to ancillary system upgrades and replacements. We expect to see these trends continue.

In addition, as the global cost of living crisis begins to bite, we anticipate increasing pressure on telcos to find efficiencies in their digital real-estate. This is likely to encourage further market take-up of product-based, SaaS solutions, which Cerillion is able to deliver, rather than the more bespoke solutions available from more traditional vendors. We therefore fully expect demand for billing, charging, CRM and digital customer experience software in our core telecoms market to continue to grow.

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

- the acceleration of digital investments, initially driven by the pandemic as a necessity to ensure continuity of services, but increasingly as a requirement to improve the customer experience. This means Communication Service Providers ("CSPs") are now going beyond their digital front-ends and investing in wider digitalisation and in the transformation of their BSS/OSS systems in order to automate and optimise customer engagement and deliver a seamless experience across all touchpoints;
- the rollout of 5G and the evolution to 5G "Standalone" networks, which is driving further investment in convergent charging systems and product catalogue solutions, as CSPs aim to maximise their opportunities in the B2B sector;

- the requirement for agility; with CSPs facing the on-going threat from digital services providers and the hyperscalers, agility is more important than ever. This is driving further investment in BSS/OSS platforms that will allow CSPs to pivot quickly, changing business processes to address new market opportunities, from the complexities of B2B/enterprise use cases to the simplest of digital subscription services;
- the need for CSPs to be able to respond rapidly to changing conditions in their markets, which fully integrated BSS/OSS product solutions enable, heightened by current inflationary pressures and other macro-economic drivers; and
- the trend to 'low-code' / 'no-code', with many CSPs now preferring to invest in products with standardised interfaces (Open Application Programming Interfaces ("API") for interoperability with other systems, and moving away from 'customisation' towards 'configuration'.

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

In July 2022, the Company announced a major new contract win with Cable & Wireless Seychelles ("CWS"), the main telecoms provider in the Seychelles. This latest win is the Company's largest initial contract agreement to date, and further enhances the Cerillion brand in the marketplace. We expect the general trend towards signing bigger deals with larger new customers to continue. These contracts typically involve higher recurring revenues and there is a much greater upsell opportunity as well. They therefore contribute significantly to the ongoing growth of the business. As mentioned previously, these larger contracts typically have a longer sales cycle than smaller ones.

The new customer wins, ongoing implementation work with existing customers, and major new deals signed with existing customers, create a strong platform for further growth in the new financial year. The back-order book at 30 September 2022 was up by 8% to an all-time record of £45.4m (2021: £42.1m). This means that the Company has started the new financial year with far greater visibility of revenues than any previous year.

As we grow across the globe, and global labour markets evolve, we will continue to expand our operating locations, recruiting the best talent cost-effectively and supporting our expanding global customer base. We continued to build our teams at our new locations in Sofia, Bulgaria and at Ahmedabad and Indore in India and maintain a mix of remote and office-based working. The competition for technology professionals remained strong during most of the financial year, however, we believe that we have seen a peak in demand at our main operating locations and consequently expect those pressures to ease a little during the new financial year. Nevertheless, we remain focused on potential inflation in people costs and intend to continue to manage carefully the mix and location of resource.

We continued to invest in R&D over the year, enhancing our technology and providing two major new releases of our product set as scheduled. The most recent of these releases was Cerillion 22.2, which went live in early November 2022. The focus of this release was a major upgrade of the 'Wholesale Gateway' module. This module supports the automation of the wholesale operations of network operators ("NetCos"), and the upgraded version speeds up the on-boarding process of new service provider partners ("ServCos"). It also simplifies the integration of business support systems between NetCos and ServCos, whilst providing a high level of security for NetCos through a dedicated authorisation layer and comprehensive API (application programming interfaces) management policies.

In early November 2022, we were delighted to gain Gold-level status for the Company's BSS/OSS suite in the TM Forum's Open API Conformance Certification program. Achieving this level underlines Cerillion's commitment to delivering open and standards-based products in accordance with the TM Forum's Open API & Open Digital Architecture Manifesto, and puts Cerillion at the forefront of adoption.

Dividends

The directors made a dividend payment of £3,000,000 during the year ended 30 September 2022 (2021: £3,000,000) representing a dividend per share of £1,743.17. Since the year end the Directors of Cerillion Technologies Limited have approved a £3,000,000 dividend to Cerillion plc, representing a dividend per share of £1,743.17.

Key performance indicators

The Company's key performance indicators are the same as those of the Cerillion plc Group and are disclosed within the Cerillion plc annual report for the year ended 30 September 2022, which does not form part of this report.

Future developments

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

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

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

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within those of the Cerillion plc Group and are not managed separately. The Group's risk factors and policies for financial risk management are also discussed in its annual report for the year ended 30 September 2022, which does not form part of this report.

This report is approved by the board on 25 November 2022 and signed on its behalf.

L T Hall (Nov 25, 2022 10:14 GMT)

L T Hall
Director

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2022.

Directors

The present membership of the Board is set out below. The directors who served during the year and up to the day of signing were as follows:

L T Hall
A R Dickson (appointed 4 February 2022)
G J O'Connor
O C R Gilchrist (resigned 4 February 2022)
A M Howarth

Branches in the EU

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

Directors' Responsibilities Statement

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101 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 company will continue in business.

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

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

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 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 company's auditors are aware of that information.

Financial risk management

Information relating to the Company's financial risk management is detailed in note 19 to the Cerillion plc 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.

Research and development activities

Qualifying research and development expenditure incurred on the Company's suite of products has been capitalised in line with the Company's accounting policy in the relevant period. Research and development comprises analysis, design, programming and testing of software solutions. The Company 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 Company has expensed £385,449 (2021: £395,731) through the statement of comprehensive income during the year and has capitalised software development costs of £965,427 (2021: £948,198).

Strategic report

Information in respect of the Business Review, Future Outlook of the Business, Employees, Dividends and Principal Risks and Uncertainties 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

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

Independent Auditors

PricewaterhouseCoopers LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

APPROVED ON BEHALF OF THE BOARD

L T Hall
L T Hall (Nov 25, 2022 10:14 GMT)
Director
25 November 2022

Independent auditors' report to the members of Cerillion Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cerillion Technologies Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 Statement of financial position as at 30 September 2022; the Statement of comprehensive income and the Statement 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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the 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 Report of the Directors, 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 Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 September 2022 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of General Data Protection Regulation (GDPR) and employment and tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent manipulation of the accounts (including 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 inquires with management and those charged with governance around actual and potential litigations and claims;
- reviewing minutes of meetings of those charged with governance; and
- performing audit procedures over the risk of management override of controls, including journal entries testing, assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature of extent of audit procedures performed by us.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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
25 November 2022

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation
The Company is a private limited company, limited by shares and is domiciled and incorporated in United Kingdom, England and Wales. The address of the registered office is 25 Bedford Street, London, England, WC2E 9ES.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Cerillion plc and is included in the group financial statements of Cerillion plc, which are publicly available. The address of the ultimate parent's registered office is 25 Bedford Street, London, England, WC2E 9ES.

The principal accounting policies adopted by the Company and applied in the preparation of these financial statements are applied consistently in all the years presented and are set out below.

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirement to produce a Statement of financial position at the beginning of the earliest comparative period.

The company is exempt from the requirement to produce group accounts, as it is wholly owned by Cerillion plc, a company incorporated in England and Wales and therefore exempt by virtue of Section 400 of the Companies Act 2006. The financial statements of the company and its subsidiary undertakings are included in the consolidated accounts of the parent company. These accounts therefore present information about the company as an individual undertaking and not about its group.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

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 2022 reporting periods and have not been early adopted by the Company. 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 Company has applied the following Standards and Amendments for the first time for their annual reporting period commencing 1 October 2021:

- **Covid-19-related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).** The amendment permits a lessee to apply the practical expedient regarding COVID-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).
- **Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).** The amendment applies only to changes required by the reform to financial instruments and hedging relationships, changes in the basis of determining contractual cash flows of financial assets, financial liabilities, lease liabilities, hedge accounting and disclosures.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).** The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- **Annual Improvements to IFRS Standards 2018-2020 Cycle.** The amendment is to enhance the quality of standards, by amending existing IFRS; IFRS 1, IFRS 9, IFRS 16, IAS 41.

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.

Going concern
The Directors have assessed the current financial position of 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 Company has the financial resources to continue as a going concern for the foreseeable future. The Company 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 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.

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

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

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 group entities operate ('the functional currency'). The Financial Statements are presented in sterling, which is the 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 Statement of financial position date and any exchange differences arising are taken to 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.

Revenue recognition
The Company 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.

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 Company 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 Company'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 Company has provided financing to the customer. The Company's contracts do not typically include variable consideration.

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

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

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

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

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

(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 Company is considered to be acting as principal as it is the primary obligor in the sales transaction, the Company can select the supplier of the service and the Company 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 Company and they will be recovered over the course of the contract.

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

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

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

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

Leases
For any new contracts entered into on or after 1 October 2019, the Company 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 Company 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 Company
- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company, 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 reasonable 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 Company 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 Company, the Company'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 Company:

- 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 Company 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company also assesses the right-of-use asset for impairment when such indicators exist.

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

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

Impairment

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

Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Company 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 debtors
Trade and other debtors 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 Company 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 Company's financial liabilities include other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Trade and other creditors
Trade and other creditors 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 as well as any outstanding tax liabilities.

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 Company 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.

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.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the 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 are 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 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 "Net Solutions Services" business are to be amortised over a period of 5 years.

Investments in subsidiaries

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

Interest

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

Post retirement benefits

Defined contribution schemes

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

Equity

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

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

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

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

For the year ended 30 September 2022

	Note	2022	2021
		£	£
Revenue	2	**32,726,049**	26,070,815
Cost of sales		**(10,198,913)**	(8,057,157)
Gross profit		**22,527,136**	18,013,658
Administrative expenses		**(8,699,714)**	(8,519,424)
Impairment losses on financial assets	3	**(1,770,011)**	(226,852)
Depreciation and amortisation		**(1,281,127)**	(1,155,632)
Operating profit		**10,776,284**	8,111,750
Other income		**-**	1,807,330
Finance expenses	4	**(5,893)**	(5,691)
Finance income	5	**335,189**	65,610
Profit before taxation	3	**11,105,580**	9,978,999
Tax on profit	7	**(1,570,602)**	(1,146,027)
Profit for the financial year		**9,534,978**	8,832,972
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,534,978**	8,832,972

All transactions arise from continuing operations.

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

CERILLION TECHNOLOGIES LIMITED
STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Note	2022	2021
		£	£
Fixed assets			
Intangible assets	9	**2,236,806**	2,162,537
Tangible assets	10	**856,775**	639,129
Right-of-use assets	11	**105,769**	-
Investments	12	**1,229**	1,229
		3,200,579	2,802,895
Current assets			
Debtors: amount falling due after more than one year	13	**2,094,636**	1,945,671
Debtors: amount falling due within one year	13	**10,948,825**	9,935,474
Cash at bank and in hand		**19,434,218**	12,561,987
		32,477,679	24,443,132
Creditors: amounts falling due within one year	14	**(12,699,598)**	(11,258,220)
Net current assets		**19,778,081**	13,184,912
Total assets less current liabilities		**22,978,660**	15,987,807
Creditors: amounts falling due after more than one year	15	**(1,034,684)**	(578,809)
Net assets		**21,943,976**	15,408,998
Capital and reserves			
Ordinary share capital	17	**1,721**	1,721
Share premium account		**2,797,438**	2,797,438
Retained earnings		**19,144,817**	12,609,839
Total shareholders' funds		**21,943,976**	15,408,998

The financial statements were approved and authorised for issue by the Board of Directors on 25 November 2022.

Signed on behalf of the Board of Directors by:

L T Hall (Nov 25, 2022 10:14 GMT)

L T Hall - Director

Company Number 03849601

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

	Ordinary share capital £	Share premium account £	Retained Earnings £	Total £
Balance as at 1 October 2020	1,721	2,797,438	6,776,867	9,576,026
Profit for the financial year	-	-	8,832,972	8,832,972
Total comprehensive income	-	-	8,832,972	8,832,972
Transactions with owners:				
Dividends paid	-	-	(3,000,000)	(3,000,000)
Balance as at 30 September 2021	**1,721**	**2,797,438**	**12,609,839**	**15,408,998**

	Ordinary share capital £	Share premium account £	Retained Earnings £	Total £
Balance as at 1 October 2021	1,721	2,797,438	12,609,839	15,408,998
Profit for the financial year	-	-	9,534,978	9,534,978
Total comprehensive income	-	-	9,534,978	9,534,978
Transactions with owners:				
Dividends paid	-	-	(3,000,000)	(3,000,000)
Balance as at 30 September 2022	**1,721**	**2,797,438**	**19,144,817**	**21,943,976**

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

1 Critical accounting estimates and judgements

The preparation of Financial Statements requires the use of certain critical accounting assumptions, and requires management to exercise its judgment 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 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 Company 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) Taxation

Cerillion is primarily subject to corporation tax in the UK and judgment and estimates of future profitability are required to determine Cerillion's deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in profit or loss, unless the tax relates to an item charged to equity or OCI in which case the changes in tax estimates will also be reflected in equity or OCI.

(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 9 and 10.

(iii) Impairment

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill is subject to an annual impairment test. An impairment loss is recognised in the Company statement of comprehensive income to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and its value in use. Full details are shown within the parent company accounts, as the company has taken advantage of disclosure exemptions of FRS 101.

(iv) 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.

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

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

1(b) Other sources of estimation uncertainty

(i) Recoverability of trade debtors and accrued income
Management use their judgement when determining whether trade debtors and accrued income are considered recoverable or where a provision for impairment is considered necessary. The assessment of recoverability will include consideration of whether the balance is with a long standing client, whether the customer is experiencing financial difficulties, the fact that balances are recognised under contract and that the products sold are mission-critical to the customer's business. Refer to note 13.

2 Revenue

The revenue of the business arises from the company's principal activity, with all revenue arising from the rendering of services.

	2022	2021
	£	£
Revenue stream		
Services	**18,271,756**	11,863,628
Software	**9,853,954**	11,340,625
Software-as-a-Service	**3,005,913**	2,057,655
Third-party	**1,594,426**	808,907
Total revenue	**32,726,049**	26,070,815

	2022	2021
	£	£
Revenue by geographical region		
UK & Europe	**20,389,431**	18,729,415
MEA	**3,165,818**	2,052,625
Americas	**7,937,599**	3,478,079
Asia Pacific	**1,233,201**	1,810,696
	32,726,049	26,070,815

3 Profit before taxation

The profit before taxation is stated after charging/(crediting):

	2022	2021
	£	£
Auditors' remuneration:		
- Audit services	**80,300**	73,000
- Non-audit services - tax services	**81,474**	38,430
- Non-audit services - other services	**4,278**	-
Research and development costs	**385,449**	395,731
Amortisation of intangible fixed assets	**908,237**	880,831
Depreciation of tangible fixed assets	**348,121**	268,953
Depreciation of right-of-use assets	**24,769**	5,848
Bad debt expense	**1,770,011**	226,852
Net (gain)/loss on foreign currency translation	**(546,625)**	480,703
Other income*	**-**	1,807,330
Other operating leases and rentals	**830,065**	778,297

*Other income represents dividends received from the Company's subsidiary undertakings.

The bad debt expense relates to the provisions made against the risk of non-recovery of receivables. The increase during the year is predominantly due to an assessment over certain implementation work that may not be fully recoverable.

4 Finance expenses

	2022	2021
	£	£
Interest payable – recharged	**-**	5,347
Interest and finance charges for lease liabilities	**1,373**	50
Interest payable - other	**4,520**	294
	5,893	5,691

5 Finance income

	2022	2021
	£	£
Bank interest receivable	**73,125**	655
Unwinding discount of contracts with significant financing component	**262,064**	64,955
	335,189	65,610

6 Directors and employees

Staff costs during the year were as follows:

	2022	2021
	£	£
Wages and salaries	**9,302,781**	8,476,271
Social security costs	**830,313**	767,460
Share based payments - recharged	**60,465**	110,341
Other pension costs	**300,445**	298,270
	10,494,004	9,652,342

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

	2022	2021
	Number	Number
Management and administration	**20**	19
Sales and marketing	**16**	16
Support and development staff	**77**	67
	113	102

After the acquisition of the company by Cerillion plc on 18 March 2016 the Directors were remunerated through Cerillion plc and no longer through the company.

7 Tax on profit

(a) Analysis of tax charge for the year
The tax charge for the Company is based on the profit before taxation for the year and represents:

	2022	2021
	£	£
Current tax charge - UK	1,523,899	798,714
Current tax – adjustment in respect of prior year	1,159	-
Current tax – foreign taxation	-	180,733
Total current tax charge	1,525,058	979,447
Deferred tax charge	63,567	166,732
Deferred tax – adjustment in respect of prior year	(18,023)	(152)
Deferred tax expense – total	45,544	166,580
Total tax charge	1,570,602	1,146,027

(b) Factors affecting current tax for the year
The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the United Kingdom 19.0% (2021: 19.0%). The differences are explained as follows:

	2022	2021
	£	£
Profit before taxation	11,105,580	9,978,999
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2021: 19.0%)	2,110,060	1,896,010
Effect of:		
Expenses not deductible for tax purposes	229,752	167,983
Non-taxable income for tax purposes	-	(523,551)
Permanent differences on fixed assets	(25,407)	26,990
Difference in tax rates	15,256	138,914
India dividend tax	-	61,914
Other short-term timing differences	(162,463)	(168,464)
Prior year tax adjustment	1,159	-
Prior year tax adjustment – deferred tax	(18,023)	(152)
Enhanced relief for research and development	(579,732)	(453,617)
Total tax charge	1,570,602	1,146,027

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 has been reflected in the measurement of deferred taxes in the financial statements.

8 Dividends

The Board declared a dividend of £1,743.17 (2021: £1,743.17) per ordinary share totalling £3 million (2021: £3 million). Since the year end the Directors of Cerillion Technologies Limited have approved a £3million dividend to Cerillion plc.

9 Intangible assets

	Goodwill	Intellectual property rights	Purchased customer contracts	Software development costs	External software licences	Total
	£	£	£	£	£	£
Cost						
At 1 October 2021	853,347	1,660,000	400,000	7,309,666	252,467	10,475,480
Additions	-	-	-	965,427	17,079	982,506
Disposals	-	-	-	-	(366)	(366)
At 30 September 2022	**853,347**	**1,660,000**	**400,000**	**8,275,093**	**269,180**	**11,457,620**
Accumulated amortisation						
At 1 October 2021	773,347	1,660,000	400,000	5,258,737	220,859	8,312,943
Provided in the year	-	-	-	884,618	23,619	908,237
Disposals	-	-	-	-	(366)	(366)
At 30 September 2022	**773,347**	**1,660,000**	**400,000**	**6,143,355**	**244,112**	**9,220,814**
Net book amount at 30 September 2022	**80,000**	**-**	**-**	**2,131,738**	**25,068**	**2,236,806**
Net book amount at 30 September 2021	80,000	-	-	2,050,929	31,608	2,162,537

During 2015, the Company purchased the business assets of netSolutions, comprising business contracts from Ubisense Group PLC for £400,000. This has been capitalised as a separate intangible fixed asset and has been amortised over five years, being the estimated useful life of the contracts.

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

10 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 October 2021	455,099	1,367,223	191,491	2,013,813
Additions	-	564,858	909	565,767
Disposals	-	(56,749)	-	(56,749)
At 30 September 2022	**455,099**	**1,875,332**	**192,400**	**2,522,831**
Accumulated depreciation				
At 1 October 2021	161,849	1,027,011	185,824	1,374,684
Provided in the year	47,253	297,113	3,755	348,121
Disposals	-	(56,749)	-	(56,749)
At 30 September 2022	**209,102**	**1,267,375**	**189,579**	**1,666,056**
Net book amount at 30 September 2022	**245,997**	**607,957**	**2,821**	**856,775**
Net book amount at 30 September 2021	293,250	340,212	5,667	639,129

11 Right-of-use assets

This note provides information for leases where the Company is a lessee. The Company leases some IT equipment.

(i). amounts recognised in the statement of financial position
The statement of financial position shows the following amounts relating to leases:

Right-of-use assets	**30 September 2022 £**	30 September 2021 £
Properties	**92,709**	-
IT Equipment	**13,060**	-
	105,769	-

Lease liabilities	**30 September 2022 £**	30 September 2021 £
Current (note 14)	**59,735**	-
Non-current (note 15)	**42,866**	-
	102,601	-

Additions to the right-of-use assets during the 2022 financial year were £130,538 (2021: £nil). There were lease disposals during the year with net book value totalling £nil (2021: no disposals).

(ii). amounts recognised in the statement of comprehensive income
The statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**£**	£
Properties	**24,396**	-
IT Equipment	**373**	5,848
	24,769	5,848
Interest expense (included in finance cost)	**1,373**	50
Expense relating to short-term leases (included in administrative expenses)	**829,657**	773,137
Expenses relating to low-value assets that are not shown above as short-term leases (included in administrative expenses)	**408**	5,160

The total cash outflow for leases in 2022 was £23,900 (2021: £6,005).

12 Investments

At 30 September 2022 the company's subsidiary undertakings were:

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

* includes holdings held indirectly through Cerillion Inc

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.

	Investments in group undertakings
	£
Cost at 30 September 2022 and 30 September 2021	1,229

13 Debtors: amounts falling due within one year and other contract balances

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

	2022 £	2021 £
Trade debtors	**2,502,608**	1,697,958
Contract assets	**9,853,285**	9,709,419
Contract liabilities	**(4,612,511)**	(4,775,174)

Contract assets, which are included in 'Amounts recoverable on contracts' within debtors: amounts falling due within one year and are composed of the current and non-current balances. Contract liabilities, which are included in 'Accruals and Deferred income' within creditors: amounts falling due within one year.

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

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

Contract liabilities refer to deferred income and result from customer payments in advance of the satisfaction of the associated performance obligations and relate primarily 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 £4,104,520 (2021: £4,700,894).

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 £225,869 (2021: £209,762). The total amount of accrued costs to acquire a contract are £304,597 (2021: £242,916).

The total amount of revenue allocated to unsatisfied performance obligations is £37,420,003 (2021: £34,853,478). It is estimated that 75% will be recognised over the next 18 months, the remainder over the following years thereafter.

Current debtors	2022	2021
	£	£
Trade debtors	2,502,608	1,697,958
Amounts recoverable on contracts	7,758,649	7,763,748
Other debtors	63,559	-
Prepayments	624,009	473,768
	10,948,825	9,935,474

The trade debtors and amounts recoverable on contracts above are stated net of a provision for impairment of £425,342 (2021: £423,329).

Non-current debtors	2022	2021
	£	£
Amounts recoverable on contracts	2,094,636	1,945,671

14 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,034,741	425,950
Amounts owed to group undertakings	3,078,095	2,613,578
Corporation tax payable	775,058	798,714
Other taxation and social security	363,032	288,935
Pension contributions	46,263	46,383
Other creditors	53,312	36,293
Lease liabilities (note 11)	59,735	-
Accruals and deferred income	7,289,362	7,048,367
	12,699,598	11,258,220

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Lease liabilities	**42,866**	-
Deferred income	**367,465**	-
Deferred tax liability	**624,353**	578,809
	1,034,684	578,809

16 Deferred taxation

The movement in the deferred taxation liability account during the year was:

	2022	2021
	£	£
Balance brought forward	**(578,809)**	(412,229)
Deferred tax provision for the year	**(45,544)**	(166,580)
Balance carried forward	**(624,353)**	(578,809)

The deferred taxation liability is made up as follows:

	2022	2021
	£	£
Accelerated capital allowances	**(74,431)**	11,552
Short term timing differences	**(549,922)**	(604,602)
Losses and other deductions	**-**	14,241
Balance carried forward	**(624,353)**	(578,809)

17 Ordinary share capital

	2022	2021
	£	£
Allotted, called up and partly paid		
Equity shares		
1,182 (2021: 1,182) ordinary shares of £1 each	**1,182**	1,182
84,586 (2021: 84,586) 'A' preferred ordinary shares of £0.00001 each	**1**	1
2,501,249 (2021: 2,501,249) 'B' preferred ordinary shares of £0.0000004 each	**1**	1
53,629 (2021: 53,629) ' Management' shares of £0.01 each	**536**	536
36,998 (2021: 36,998) Ordinary shares of £0.000027 each	**1**	1
	1,721	1,721

18 Derivative financial instruments

The Company sometimes utilises derivative currency contracts to hedge its exposure on sales contracts denominated in foreign currencies. At 30 September 2022 the company had no such contracts (2021: none). The net unrealised loss on open currency forward contracts at 30 September 2022 was £nil (2021: £nil). The loss has been recognised within the result for the year, with the derivative financial instrument held at its fair value within creditors due within one year, as all the contracts conclude within 12 months of the year-end.

The company utilises derivative currency contracts to hedge its foreign exchange exposure on its US Dollar, Australian Dollar and Euro to Sterling transactions for certain sales contracts.

19 Commitments

The Company had no capital or lease commitments as at 30 September 2022 or 30 September 2021.

20 Contingent liabilities

There were no contingent liabilities at 30 September 2022 or 30 September 2021.

21 Pensions

The Company operates a group personal contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £300,445 (2021: £298,270). At the year end the contributions payable to the scheme were £46,263 (2021: £46,383).

22 Transactions with directors and other related parties

The Company has taken advantage of the exemption contained within paragraph 8(k) of FRS 101 and has not disclosed transactions entered into with wholly owned group undertakings.

There were no other related party transactions (2021: £nil).

23 Charges over assets

In providing the group with banking, credit card and forward currency facilities, the Company'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.

24 Subsequent events

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

25 Ultimate controlling party

100% of the company's share capital was purchased by Cerillion plc on 18 March 2016 and Cerillion plc is now considered to be the ultimate controlling party.