



Axios Systems Plc
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended
30 September 2016

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Company Registration No. SC113394



DIRECTORS

Anastasios Symeonides
Ailsa Symeonides

SECRETARY

Ailsa Symeonides

REGISTERED OFFICE

Axios House
60 Melville Street
Edinburgh
United Kingdom
EH3 7HF

AUDITOR

RSM UK Audit LLP
Chartered Accountants
First floor, Quay 2
139 Fountainbridge
Edinburgh
United Kingdom
EH3 9QG

PRINCIPAL BANKERS

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
United Kingdom
EH2 2YB



The directors present their strategic report for the year ended 30 September 2016.

REVIEW OF THE BUSINESS

The Group has continued to develop the business in existing and new markets. Operating globally through incorporated subsidiaries in a number of key countries, allows us to focus our activities to meet customer demand and comply with local legislation and business practices. Due to this structure we do not expect that BREXIT will have a significant trading impact on the business.

Continuing investment in Research and Development utilises feedback from Customers and Market Analysts to prioritise technological change and functionality within our products. We have noticed a significant change in the customer demand for Software as a Service (SaaS) solutions and we are aligning our operating model to reflect this requirement.

The business is in a strong position to continue to develop the product and deliver increased growth utilising existing cash resources and a recruitment plan is in place to enhance the capacity and skill base of our existing teams across the group.

FINANCIAL RISK MANAGEMENT POLICY

The Group's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade debtors and creditors arise directly from the Company's operating activities.

The main risks associated with the Group's financial assets and liabilities are set out below.

Interest rate risk

The Group invests surplus cash in floating rate interest yielding deposit accounts. These surplus amounts are held primarily in functional currencies of Sterling, Euros and US Dollars. Interest rates applicable to excess cash are regularly monitored against market rates to ensure that competitive rates are obtained. In the current financial market place interest rate risk is balanced with the risk of capital.

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities.

Credit risk

The Group aims to minimise credit risk by constant monitoring to ensure that credit terms are granted only to customers who satisfy credit check procedures and demonstrate appropriate payment history. There are occasions when credit risk has to be balanced with the exposure of doing business in a particular territory.

Liquidity risk

The Group aims to mitigate liquidity risk by forecasting medium term cash requirements and managing cash generated by its operations.

The Group aims to maintain continuity of funding and flexibility through the use of its cash resources. All capital expenditure requires approval by the Board of Directors.

Foreign currency risk

Entities within the Group enter into transactions in both functional and non-functional currencies: investments in subsidiary undertakings are also held in currencies other than reporting currency (GB pounds). Cash flow and investments are therefore subject to movements in exchange rates.



Foreign currency risk arising from movements in exchange rates is not considered significant at the date of this report. The Group is in the process of developing a hedging strategy which aims to substantially mitigate risks caused by fluctuations in exchange rates.

Foreign Taxation Risk

The Group uses local tax advisors to ensure compliance in all countries of operation. A Group Transfer Pricing Policy has been developed to ensure that intercompany trade and charges are compliant with local tax legislation and this policy is monitored for compliance with changing legislation and case law.

GROUP PERFORMANCE

The Board monitors the financial performance and financial position of the group by the following key performance indicators relating to the financial year:

	2016 £	2015 £
Revenue generated	20,286,766	19,570,172
Pre-tax profit	1,577,319	164,204
Cash at Bank	3,970,532	3,322,012
Shareholders' funds at year end	4,300,957	3,272,570

Since the year end there have been no events that materially affect the position of the group. The Board believes the group is well capitalised to continue to grow its market share and therefore increase its revenues and profitability.

By order of the Board

A handwritten signature in black ink, appearing to be 'A. Symeonides'.

Anastasios Symeonides

Director

22/3/17



The directors submit their report and consolidated financial statements for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activities of the group during the year was the development and sale of IT Service Management (ITSM), IT Asset Management (ITAM) software solutions and delivery of associated services.

RESULTS AND DIVIDENDS

The profit before tax achieved for the year amounted to £1,577,319 (2015: £164,204).

There is an after tax profit of £1,207,727 (2015: £8,308).

No dividends were paid or proposed during the year (2015: £nil).

The directors are satisfied with the level of business achieved.

RESEARCH AND DEVELOPMENT

The group continued to make investment in product development. Further investment in research and development has been included within strategic plans to continue through to September 2018. Significant value added product development and innovations have been released and offered to customers during the year.

FUTURE DEVELOPMENTS

The group will continue with its investment programme in service deliverables to meet changing technologies and customer requirements.

Over the last year there has been a significant growth in demand for Software as a Service (SaaS). We are continually reviewing our product and support infrastructure to meet the growing market demand in this sector.

We have reviewed our Operating Structure and a recruitment plan is in place to ensure we have the appropriate investment in human capital. There is a requirement to recruit staff with new skills but there is strong commitment to the training and development of existing staff to deliver the group's strategic plan.

FINANCIAL OUTLOOK

Looking forward we expect total revenues to grow annually but due to investments in staff and resources to facilitate our growth strategy we anticipate that profits for 2017 will be lower than in 2016. Revenues comprise software licence fees, subscription & recurring revenues and professional services.

POLICY ON PAYMENT OF CREDITORS

Axios has a policy of paying creditors earlier than invoice terms providing contractual agreements are in place.

Group trade creditor days based on creditors at 30 September 2016 were 26 days (2015: 26 days).



Company trade creditor days based on creditors at 30 September 2016 were 26 days (2015: 28 days).

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position have been considered by the directors with particular reference to the Group's cash flows and liquidity position. The Group has available financial resources together with contracts with a number of customers. The nature of the business operation means there are fewer fixed term supplier contracts than in most other industries and therefore the directors believe the Group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS

The directors who served the company during the year were as follows:

Anastasios Symeonides
Ailsa Symeonides
Nico Nicholas (Resigned 30 June 2016)

BRANCHES OUTSIDE THE UK

The group and company have unincorporated branches in the Netherlands and Belgium.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

By order of the board

A handwritten signature in black ink, appearing to be 'A. Symeonides'.

Anastasios Symeonides
Director

22/3/17

Axios Systems Plc
DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS



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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are 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 the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIOS SYSTEMS PLC



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

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
First floor, Quay 2
139 Fountainbridge
Edinburgh
United Kingdom
EH3 9QG

Date: 29/3/17

Axios Systems Plc
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 30 September 2016

(Company No. SC113394)



	Notes	2016 £	2015 £
TURNOVER	1	20,286,766	19,570,172
Cost of sales		<u>(882,185)</u>	<u>(875,298)</u>
Gross profit		19,404,581	18,694,874
Administrative expenses		<u>(17,836,052)</u>	<u>(18,541,894)</u>
OPERATING PROFIT		1,568,529	152,980
Interest receivable and similar income		<u>8,790</u>	<u>11,224</u>
PROFIT BEFORE TAXATION	2	1,577,319	164,204
Taxation	7	<u>(369,592)</u>	<u>(155,896)</u>
PROFIT AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		1,207,727	8,308
OTHER COMPREHENSIVE INCOME			
Currency translation differences		<u>(179,340)</u>	<u>(165,395)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,028,387</u>	<u>(157,087)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

Axios Systems Plc
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 At 30 September 2016

(Company No. SC113394)



	Notes	Group	
		2016 £	2015 £
FIXED ASSETS			
Intangibles	8	-	-
Other intangible assets	9	3,871,750	2,924,806
Tangible assets	10	<u>1,747,185</u>	<u>1,827,171</u>
		<u>5,618,935</u>	<u>4,751,977</u>
CURRENT ASSETS			
Debtors due within one year	13	7,081,161	5,119,425
Cash at bank and in hand		<u>3,970,532</u>	<u>3,322,012</u>
		11,051,693	8,441,437
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	<u>(11,440,348)</u>	<u>(8,769,184)</u>
NET CURRENT LIABILITIES		<u>(388,655)</u>	<u>(327,747)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,230,280	4,424,230
Creditors: amounts falling due after more than one year	15	(741,953)	(1,151,660)
Provisions for liabilities	16	<u>(187,370)</u>	<u>-</u>
NET ASSETS		<u>4,300,957</u>	<u>3,272,570</u>
CAPITAL AND RESERVES			
Called up share capital	18	100,000	100,000
Profit and loss account	19	<u>4,200,957</u>	<u>3,172,570</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>4,300,957</u>	<u>3,272,570</u>

The financial statements on pages 9 to 32 were approved by the Board of Directors and authorised for issue on 27/5/16 and are signed on its behalf by:

Anastasios Symeonides
 DIRECTOR

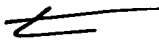
Axios Systems Plc
 COMPANY STATEMENT OF FINANCIAL POSITION
 At 30 September 2016

(Company No. SC113394)



	Notes	Company	
		2016 £	2015 £
FIXED ASSETS			
Other intangible assets	9	3,871,750	2,924,806
Tangible assets	10	1,680,623	1,734,340
Investments	11	<u>204,882</u>	<u>196,379</u>
		<u>5,757,255</u>	<u>4,855,525</u>
CURRENT ASSETS			
Debtors due within one year	13	7,371,723	5,939,607
Cash at bank and in hand		<u>2,302,539</u>	<u>1,174,795</u>
		9,674,262	7,114,402
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	<u>(5,285,601)</u>	<u>(4,660,114)</u>
NET CURRENT ASSETS		<u>4,388,661</u>	<u>2,454,288</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		-10,145,916	7,309,813
Creditors: amounts falling due after more than one year	15	(447,496)	(289,607)
Provisions for liabilities	16	<u>(187,370)</u>	<u>-</u>
NET ASSETS		<u>9,511,050</u>	<u>7,020,206</u>
CAPITAL AND RESERVES			
Called up share capital	18	100,000	100,000
Profit and loss account	19	<u>9,411,050</u>	<u>6,920,206</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>9,511,050</u>	<u>7,020,206</u>

The financial statements on pages 9 to 32 were approved by the Board of Directors and authorised for issue on 27/3/17... and are signed on its behalf by:


 Anastasios Symeonides
 DIRECTOR

Axios Systems Plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2016



	Share capital £	Profit and loss account £	Total £
Balance at 1 October 2014	100,000	3,329,657	3,429,657
Profit for the year	-	8,308	8,308
Other comprehensive income, net of tax:			
Currency translation differences on overseas subsidiaries	-	(165,395)	(165,395)
Total comprehensive income for the year	-	(157,087)	(157,087)
Balance at 30 September 2015	<u>100,000</u>	<u>3,172,570</u>	<u>3,272,570</u>
Profit for the year	-	1,207,727	1,207,727
Other comprehensive income, net of tax:			
Currency translation differences on overseas subsidiaries	-	(179,340)	(179,340)
Total comprehensive income for the year	-	1,028,387	1,028,387
Balance at 30 September 2016	<u>100,000</u>	<u>4,200,957</u>	<u>4,300,957</u>

Axios Systems Plc
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2016



	Share capital £	Profit and loss account £	Total £
Balance at 1 October 2014	100,000	8,439,670	8,539,670
(Loss) for the year	-	(1,602,473)	(1,602,473)
Other comprehensive income, net of tax:			
Currency translation differences on overseas subsidiaries	-	83,009	83,009
Total comprehensive income for the year	-	(1,519,464)	(1,519,464)
Balance at 30 September 2015	100,000	6,920,206	7,020,206
Profit for the year	-	2,730,353	2,730,353
Other comprehensive income, net of tax:			
Currency translation differences on overseas subsidiaries	-	(239,509)	(239,509)
Total comprehensive income for the year	-	2,490,844	2,490,844
Balance at 30 September 2016	100,000	9,411,050	9,511,050

Axios Systems Plc
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2016



	<i>Notes</i>	2016 £	2015 £
OPERATING ACTIVITIES			
Cash generated from operations	20	2,554,414	1,667,127
Income taxes paid		<u>(198,129)</u>	<u>(248,147)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>2,356,285</u>	<u>1,418,980</u>
INVESTING ACTIVITIES			
Purchase of intangible assets		(1,486,049)	(1,532,937)
Purchase of tangible fixed assets		(51,166)	(216,312)
Interest received		<u>8,790</u>	<u>11,224</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,528,425)</u>	<u>(1,738,025)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>827,860</u>	<u>(319,045)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,322,012	3,806,452
Effect of foreign exchange rate changes		<u>(179,340)</u>	<u>(165,395)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>3,970,532</u>	<u>3,322,012</u>
Relating to:			
Bank balances and short term deposits included in "cash at bank and in hand"		<u>3,970,532</u>	<u>3,322,012</u>



GENERAL INFORMATION

Axios Systems Plc ("the company") is a private company limited by shares, and is registered and incorporated in Scotland.

The address of the company's registered office and principal place of business is Axios House, 60 Melville Street, Edinburgh, United Kingdom, EH3 7HF.

The group consists of Axios Systems Plc and all of its subsidiaries (detailed in note 12).

The company's and the group's principal activities, and nature of operations, are disclosed in the Directors' Report.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

FIRST TIME ADOPTION OF FRS 102

These consolidated and company financial statements are the first financial statements of Axios Systems Plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The consolidated and company financial statements for the year ended 30 September 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

There is no material difference in the way in which values in the year ended 30 September 2015 were presented under UK GAAP to the presentation under FRS 102. As such no adjustments or reconciliations have been necessary. The date of transition to FRS 102 was 1 October 2014.

REDUCED DISCLOSURES

The company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest



income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;

- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The financial statements of the company are consolidated in the financial statements Axios Systems Plc. The consolidated financial statements of Axios Systems Plc are available from its registered office, Axios House, 60 Melville Street, Edinburgh, United Kingdom, EH3 7HF.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's profit and total comprehensive income for the year were £2,730,353 (2015: loss of £1,602,473) and £2,490,844 (2015: negative £1,519,464), respectively.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The results of the companies acquired or disposed of are included in the statement of comprehensive income after or up to the date that control passes respectively.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and financial position have been considered by the directors with particular reference to the group's cash flows and liquidity position. The group has adequate financial resources together with contracts with a number of customers. The nature of the business operation means there are fewer fixed term supplier contracts than in most other industries and therefore the directors believe the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statement.

TURNOVER AND REVENUE RECOGNITION

Turnover represents the amount invoiced to third parties in respect of software licence fees, subscriptions, recurring revenues and professional services provided excluding value added tax or sales tax. Turnover from the sale of software licences is recognised at the time of the issue of the licence key to the customer provided that no significant vendor obligations exist. Revenue from subscriptions, non-standard software, or where significant vendor obligations exist, is recognised on customer acceptance.

On contracts involving a combination of products and services, revenue is recognised separately on each deliverable in accordance with the above policy, unless all deliverables are considered to be interdependent when revenue is recognised on final acceptance.



On subscription and recurring revenue contracts, which span more than one financial year, revenue is recognised evenly across each period to which the contract relates, with amounts paid in advance deferred to the appropriate period.

Revenue will be accrued on Recurring Revenue and Professional Services contracts where unbilled amounts are chargeable but not invoiced.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

RETIREMENT BENEFITS

The group operates a defined contribution scheme on behalf of employees. The amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill. For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held



by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities, and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

INTANGIBLE FIXED ASSETS – GOODWILL

Goodwill is capitalised and written off evenly over 5 to 10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits. Specific policies will be applied to each investment based on the business case at the time of acquisition.

INTANGIBLE FIXED ASSETS – DEVELOPMENT EXPENDITURE

The group capitalises development expenditure relating to internally developed computer software as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is between 6 and 7 years. The directors consider this useful life to be appropriate because this is the period during which the benefit is expected to occur.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.



Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	2% straight line
Plant and machinery	33.3% straight line
Motor vehicles	25% reducing balance and 25% straight line
Equipment	25% reducing balance and 33.3% straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life. The land element relative to freehold properties is not depreciated.

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replacement parts of remaining carrying amounts of previous inspections are then derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

IMPAIRMENT

An assessment is made at each reporting date of whether there are indications that a fixed asset or intangible asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Any impairment loss recognised for goodwill is not reversed. For fixed assets other than goodwill, recognised impairment losses are reversed if, and only if, the reasons for the impairment loss ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

INVESTMENTS

The company's interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.



LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Balances within overseas subsidiary undertakings are re-translated at the rate of exchange ruling at the balance sheet date. All differences arising on these balances are recognised in other comprehensive income and accumulated in equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

FINANCIAL INSTRUMENTS

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or



more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material



adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Freehold Land and Buildings are reported at cost of acquisition less accumulated depreciation in the Balance Sheet (Note 10). These have been revalued at £2,925,000 since the year end, however the Directors continue to hold these at cost. Were the accounting policy to be revised to include freehold property at valuation a revaluation reserve of £1,177,815 would be created.

Critical areas of judgement

In assessing the carrying value of capitalised Development Expenditure management makes judgements on individual components based on planned technological changes and the utilisation of components within the current and planned releases of products.

In assessing the Accruals and Provisions management will consider employing expert advisors to assess the potential outcome of specific liabilities. Once expert opinion is received management will make a judgement on the value of liabilities to be included in reported results.



1. TURNOVER

An analysis of the geographical location of the group's turnover is as follows:

	2016 £	2015 £
Geographical segments		
<i>Continuing operations:</i>		
United Kingdom	7,926,954	8,349,713
Rest of the World	12,359,812	11,220,459
	<u>20,286,766</u>	<u>19,570,172</u>

2. PROFIT BEFORE TAXATION

	2016 £	2015 £
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	131,152	146,991
Loss on disposal of tangible fixed assets	-	1,189
Research and development expenditure	586,952	601,418
Amortisation of intangible fixed assets	539,105	326,939
Exchange (gains)	(134,166)	(52,539)
Operating lease rentals	482,668	487,441

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2016 £	2015 £
Audit services – statutory audit of parent and consolidated accounts	32,500	35,000
<i>Other services:</i>		
Taxation compliance services	8,250	10,500
All other non-audit services	4,530	-
	<u>45,280</u>	<u>45,500</u>

3. EMPLOYEES

The average monthly number of persons (including directors) employed by the group during the year was:

	Group 2016 No	Group 2015 No
Production staff	74	72
Administration staff	17	18
Management staff	109	114
	<u>200</u>	<u>204</u>



The aggregate payroll costs of the above were:

	Group 2016 £	Group 2015 £
Wages and salaries	12,331,923	12,072,116
Social security costs	625,427	621,744
Other pension costs	566,037	548,440
	<u>13,523,387</u>	<u>13,242,300</u>

4. DIRECTORS' REMUNERATION

In respect of the directors of Axios Systems Plc:

	2016 £	2015 £
Emoluments	656,865	493,224
Contributions to money purchase pension schemes	6,493	8,657
	<u>663,358</u>	<u>501,881</u>

Director's emoluments disclosed above include the following payments made to the highest paid director:

	2016 £	2015 £
Remuneration	369,605	254,160
Contributions to money purchase pension schemes	-	-
	<u>369,605</u>	<u>254,160</u>

It is considered that the group's key management personnel are the directors.

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was 1 (2015: 1).

5. RETIREMENT BENEFITS

The group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the group in an independently administered fund. The contributions payable by the group charged to profit or loss amounted to £566,037 (2015: £548,440). Contributions totalling £4,294 (2015: £39,756) were payable to the fund at the year end and are included in creditors.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £	2015 £
Interest on bank deposits	<u>8,790</u>	<u>11,224</u>
Interest on financial assets not measured at fair value through profit or loss	<u>8,790</u>	<u>11,224</u>



7. TAXATION

	2016 £	2015 £
Current tax		
UK corporation tax	100,172	265
Foreign tax	89,308	80,077
Adjustments in respect of prior year:		
- UK corporation tax	-	(1,435)
- Foreign tax	(7,260)	76,989
Total current tax	<u>182,222</u>	<u>155,896</u>
Deferred tax		
Origination and reversal of timing differences	<u>187,370</u>	-
Total deferred tax	<u>187,370</u>	-
Total tax on profit on ordinary activities	<u>369,592</u>	<u>155,896</u>

Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £	2015 £
Group profit before tax	<u>1,577,319</u>	<u>164,204</u>
Group profit multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20%)	315,464	32,841
Effects of:		
Expenses that are not deductible in determining taxable profit	(128,653)	9,000
Utilisation of tax losses not previously recognised	289,705	124,717
Capital allowances in excess of depreciation	192,005	(51,274)
Effect of different tax rates of subsidiaries operating in other jurisdictions	173,480	187,075
Other fixed asset differences, adjustments and movements	-	2,139
Overseas Tax	89,310	191,565
Tax losses utilised	(412,104)	(248,800)
Other short term timing differences	(4,635)	-
Research and development tax credit	(137,720)	(90,030)
Adjustment to tax charge in respect of previous year	<u>(7,260)</u>	<u>(1,337)</u>
Tax expense	<u>369,592</u>	<u>155,896</u>

At 30 September 2016, the group had unrelieved tax losses totalling £4,826,088 (2015: £6,694,208).



8. INTANGIBLE FIXED ASSETS – GOODWILL

Group	Positive Goodwill £
Cost: 1 October 2015 and 30 September 2016	<u>190,774</u>
Amortisation and impairment: 1 October 2015 and 30 September 2016	<u>190,774</u>
Carrying amount: 30 September 2016	<u>-</u>
30 September 2015	<u>-</u>

9. OTHER INTANGIBLE ASSETS

Group and company	Development Expenditure £
Cost: 1 October 2015	3,361,819
Additions – internally generated	<u>1,486,049</u>
30 September 2016	<u>4,847,868</u>
Amortisation and impairment: 1 October 2015	437,013
Amortisation charged in the year	<u>539,105</u>
30 September 2016	<u>976,118</u>
Carrying amount: 30 September 2016	<u>3,871,750</u>
30 September 2015	<u>2,924,806</u>

The amortisation charge for the year is included within administrative expenses.



10. TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant and Machinery £	Motor Vehicles £	Equipment £	Total £
Cost:					
1 October 2015	1,738,105	76,303	72,168	786,314	2,672,890
Additions	-	5,376	-	45,790	51,166
Exchange adjustment	-	-	11,681	-	11,681
30 September 2016	1,738,105	81,679	83,849	832,104	2,735,737
Depreciation:					
1 October 2015	146,004	42,380	72,168	585,167	845,719
Depreciation charged in the year	10,423	17,092	-	103,637	131,152
Exchange adjustment	-	-	11,681	-	11,681
30 September 2016	156,427	59,472	83,849	688,804	988,552
Carrying amount:					
30 September 2016	1,581,678	22,207	-	143,300	1,747,185
30 September 2015	1,592,101	33,923	-	201,147	1,827,171
Company					
			Freehold property £	Equipment £	Total £
Cost:					
1 October 2015			1,738,105	547,412	2,285,517
Additions			-	26,111	26,111
30 September 2016			1,738,105	573,523	2,311,628
Depreciation:					
1 October 2015			146,004	405,173	551,177
Depreciation charged in the year			10,423	69,405	79,828
30 September 2016			156,427	474,578	631,005
Carrying amount:					
30 September 2016			1,581,678	98,945	1,680,623
30 September 2015			1,592,101	142,239	1,734,340



11. FIXED ASSET INVESTMENTS

Company	Group Companies £
Cost:	
1 October 2015	497,265
Additions	<u>8,503</u>
30 September 2016	<u>505,768</u>
Provision for impairment:	
1 October 2015 and 30 September 2016	<u>300,886</u>
Carrying amount – Subsidiary undertakings (note 12):	
30 September 2016	<u>204,882</u>
30 September 2015	<u>196,379</u>

The addition in the year is in respect of 100% of the share capital of Axios Systems S.R.L., a new subsidiary set up prior to the year end. The subsidiary was dormant in the year and commenced trading on 3 October 2016.

12. SUBSIDIARY UNDERTAKINGS

Name of undertaking	Registered Office	Proportion of nominal value of ordinary shares held directly	Nature of business
Axios Systems GmbH	47 Berg Am Lain Strasse Munich 80336 Germany	100%	Software and services
Axios Systems Inc	Suite 501 2214 Rock Hill Road Herndon VA 20170 USA	100%	Software and services
Axios Systems Pty Ltd	Suite 1014,1015 & 1016 401 Docklands Drive Docklands 3008 Melbourne Australia	100%	Software and services
Axios Systems LLC	Millennium House Trubnaya Str 12 Fourth Floor 107045 Moscow Russia	100%	Software and services



Name of undertaking	Registered Office	Proportion of nominal value of ordinary shares held directly	Nature of business
Axios Systems FZ LLC	Suite 603 Arjaan Office Tower Dubai Media City PO Box 502381 Dubai	100%	Software and services
Axios Systems (Cyprus) Ltd	5 th floor, Apt 501, Kostas Michides Building 4 Agias Elenis 1060 Nicosia Cyprus	100%	Software and services
Axios Systems S.R.L.	8 Via Alberico Albricci 20122 Milano Italy	100%	Dormant

13. DEBTORS

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year:				
Trade debtors	5,822,792	4,132,063	3,709,265	1,445,719
Amounts owed by subsidiary undertakings	-	-	3,377,677	4,044,042
Other debtors	670,622	253,968	195,378	183,723
Prepayments and accrued income	587,747	733,394	89,403	266,123
	<u>7,081,161</u>	<u>5,119,425</u>	<u>7,371,723</u>	<u>5,939,607</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	588,589	483,747	418,690	326,477
Other taxation and social security costs	1,404,547	727,355	822,052	457,440
Corporation tax	100,172	8,926	83,547	-
Other creditors	665,630	520,161	373,909	377,631
Accruals and deferred income	8,681,353	7,028,995	3,587,403	3,498,566
	<u>11,440,348</u>	<u>8,769,184</u>	<u>5,285,601</u>	<u>4,660,114</u>



15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accruals and deferred income	741,953	1,151,660	447,496	289,607

The prior year deferred income has been restated so as to show a fairer view of the split between amounts falling due within one year and amounts falling due after more than one year.

16. PROVISIONS FOR LIABILITIES

Provision for deferred tax has been made as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Deferred tax liabilities	192,005	-	192,005	-
Deferred tax assets	(4,635)	-	(4,635)	-
Net position at 30 September 2016	187,370	-	187,370	-

The deferred tax asset and liability are expected to reverse within 12 months and relate to short term timing differences and accelerated capital allowances respectively.

The deferred tax liabilities and assets recognised are:

Deferred tax liabilities:	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	192,005	-	192,005	-
Deferred tax assets:				
Short term timing differences	4,635	-	4,635	-



17. FINANCIAL INSTRUMENTS

The carrying amount of the group's financial instruments at 30 September were:

	Group 2016 £	Group 2015 £
Financial assets:		
Debt instruments at amortised cost	<u>6,352,768</u>	<u>4,137,736</u>
Financial liabilities:		
Measured at amortised cost	<u>1,954,906</u>	<u>1,545,613</u>

18. SHARE CAPITAL

Group and Company	2016 £	2015 £
Allotted, issued and fully paid: 100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Shareholders are entitled to one vote per share held.

19. RESERVES

Reserves of the group represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

20. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM/(USED IN) OPERATIONS

Group	2016 £	2015 £
Profit after tax	1,207,727	8,308
Adjustments for:		
Depreciation of tangible fixed assets	131,152	154,391
Amortisation of intangible assets	539,105	326,939
Loss on disposal of tangible fixed assets	-	1,189
Interest receivable	(8,790)	(11,224)
Taxation	<u>369,592</u>	<u>155,896</u>
Operating cash flows before movements in working capital	2,238,786	635,499
(Increase) / decrease in trade and other debtors	(1,854,583)	310,286
Increase in trade and other creditors	<u>2,170,211</u>	<u>721,342</u>
Cash generated from operations	<u>2,554,414</u>	<u>1,667,127</u>



CASH AND CASH EQUIVALENTS

Group	2016	2015
	£	£
Cash and cash equivalents represent:		
Cash at bank	<u>3,970,532</u>	<u>3,322,012</u>

21. COMMITMENTS UNDER OPERATING LEASES

The group/company as a lessee:

The total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2016	2015
	£	£
Amounts due:		
Within one year	377,621	369,461
Between one and five years	<u>223,773</u>	<u>147,930</u>
	<u>601,394</u>	<u>517,391</u>
Company	2016	2015
	£	£
Amounts due:		
Within one year	89,013	81,016
Between one and five years	<u>39,863</u>	<u>44,685</u>
	<u>128,877</u>	<u>125,701</u>

22. RELATED PARTY TRANSACTIONS

Transactions between the group and its related parties are disclosed below:

	Key management personnel		Entities with control, joint control or significant influence	
	2016	2015	2016	2015
	£	£	£	£
Advances in the year	7,515	7,365	775,485	725,731
Amounts owed by related parties at 30 September 2016	14,879	7,365	51,783	-
Amounts owed to related parties at 30 September 2016	-	-	-	197,101

The above balances are unsecured, interest free and repayable on demand.

The total remuneration of the directors who are considered to be the key management personnel is shown in note 4 of the accounts.

23. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the group is Anastasios and Ailsa Symeonides.