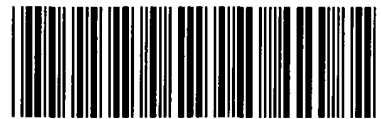


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*CERILLION TECHNOLOGIES
LIMITED*

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

**For the year ended
30 September 2021**

Company no 03849601

CERILLION TECHNOLOGIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2021

Company registration number: 03849601

Registered office: 25 Bedford Street
London
WC2E 9ES

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

Secretary: O C R Gilchrist

Bankers: HSBC UK Bank plc
69 Pall Mall
St James
London
SW1Y 5EY

Solicitors: Orrick, Herrington & Sutcliffe (Europe) LLP
107 Cheapside
London
EC2V 6DN

Independent Auditors: PricewaterhouseCoopers LLP
Registered Auditor
Chartered Accountants
3 Forbury Place
23 Forbury Road
Reading, Berkshire
RG1 3JH

CERILLION TECHNOLOGIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2021

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For the year ended 30 September 2021

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

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

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

Cerillion continued to consolidate its position in the telecoms enterprise software market in FY2021, with the addition of new customers and the enhancement of the product set through continued R&D. Turnover increased by 25 % to £26.1m (2020: £20.8m) whilst generating a 31.1% operating profit margin (2020: 15.5%). Operating profit increased due to the increase in revenue, which included a higher proportion of software license revenue and a lower proportion of lower margin 3rd party revenue, as well as operational leverage. The company ended the year with net assets of £15.4m (2020: £9.6m) of which £12.6m was cash (2020: £8.0m).

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

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

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

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

For the year ended 30 September 2021

- the requirement for agility; with CSPs facing the on-going threat from digital services providers and the hyperscalers, agility is more important than ever. This is driving further investment in BSS/OSS platforms that will allow CSPs to pivot quickly, changing business processes to address new market opportunities, from the complexities of B2B/enterprise use cases to the simplest of digital subscription services; and
- the trend to 'low-code' / 'no-code', with many CSPs now preferring to invest in products with standardised interfaces (Open Application Programming Interfaces ("API") for interoperability with other systems, and moving away from 'customisation' towards 'configuration'.

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

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

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

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

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

The directors made a dividend payment of £3,000,000 during the year ended 30 September 2021 (2020: £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 £3million dividend to Cerillion plc, representing a dividend per share of £1,743.17.

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 2021, which does not form part of this report.

For the year ended 30 September 2021

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 2021, which does not form part of this report.

This report is approved by the board on 19 November 2021 and signed on its behalf.



L T Hall
Director

For the year ended 30 September 2021

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

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
G J O'Connor

O C R Gilchrist
A M Howarth

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 laws), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For the year ended 30 September 2021

The directors confirm that:

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

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

Financial risk management

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

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 £395,731 (2020: £341,834) through the statement of comprehensive income during the year and has capitalised software development costs of £948,198 (2020: £1,088,365).

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
Director
19 November 2021

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 2021 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 2021; the statement of comprehensive income and the statement of changes in equity for the year then ended; the principal accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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 risk of management override of controls). Audit procedures performed by the engagement team included:

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

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

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
19 November 2021

PRINCIPAL ACCOUNTING POLICIES**Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Cerillion Technologies Limited (the "Company") for the year ended 30 September 2021 were authorised for issue by the board of directors on 19 November 2021 and the Statement of Financial Position was signed on the board's behalf by L T Hall. Cerillion Technologies Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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

The principal accounting policies adopted by the Company and applied in the preparation of these financial statements 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 accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2021.

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.

For the year ended 30 September 2021

The company is exempt from the requirement to produce group accounts, as it is wholly owned by Cerillon 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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 September 2021 that have a material impact on the Company's financial statements.

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. Despite the challenges of the current pandemic, as set out in the strategic report of Cerillon plc, the Company continues to grow revenues, profits and cash flows and has a strong balance sheet and cash position. In respect of severe but plausible downside sensitivity, the Board has considered the effect of a material reduction in new sales made and delays in currently contracted receipts. The consequential forecasts still show sufficient headroom to meet all its liabilities as they fall due.

The conclusion of this assessment is that it is appropriate that the 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 profit or loss.

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

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 licensed product requires significant customer modifications and implementation is complex, revenue is recognised over time, based on the percentage of completion method. This method relies on the 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.

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 reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

At the commencement date, the 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.

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.

For the year ended 30 September 2021

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.

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.

For the year ended 30 September 2021

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.

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.

CERILLION TECHNOLOGIES LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 September 2021

	Note	2021 £	2020 £
Revenue	2	26,070,815	20,813,925
Cost of sales		(8,057,157)	(7,617,335)
Gross profit		<u>18,013,658</u>	<u>13,196,590</u>
Administrative expenses		(8,746,276)	(8,682,635)
Depreciation and amortisation		(1,155,632)	(1,296,777)
Operating profit		<u>8,111,750</u>	<u>3,217,178</u>
Other income		1,807,330	-
Finance expenses	4	(5,691)	(39,377)
Finance income	5	65,610	49,129
Profit before taxation	3	<u>9,978,999</u>	<u>3,226,930</u>
Tax on profit	7	(1,146,027)	(47,394)
Profit for the financial year		<u><u>8,832,972</u></u>	<u><u>3,179,536</u></u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>8,832,972</u></u>	<u><u>3,179,536</u></u>

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 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	2,162,537	2,073,156
Tangible assets	10	639,129	660,254
Right-of-use assets	11	-	5,848
Fixed asset investments	12	1,229	1,229
		<u>2,802,895</u>	<u>5,179,606</u>
Current assets			
Long term debtors	13	1,945,671	2,439,119
Debtors	13	9,935,474	9,141,627
Cash at bank and in hand		12,561,987	7,986,788
		<u>24,443,132</u>	<u>17,128,415</u>
Creditors: amounts falling due within one year	14	<u>(11,258,220)</u>	<u>(12,319,766)</u>
Net current assets		<u>13,184,912</u>	<u>4,808,649</u>
Total assets less current liabilities		<u>15,987,807</u>	<u>9,988,255</u>
Creditors: amounts falling due after more than one year	15	<u>(578,809)</u>	<u>(412,229)</u>
Net assets		<u><u>15,408,998</u></u>	<u><u>9,576,026</u></u>
Capital and reserves			
Called up share capital	17	1,721	1,721
Share premium account		2,797,438	2,797,438
Profit and loss account		12,609,839	6,776,867
Total shareholders' funds		<u><u>15,408,998</u></u>	<u><u>9,576,026</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 19 November 2021.

Signed on behalf of the Board of Directors by:



L T Hall - Director

Company Number 03849601

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

CERILLION TECHNOLOGIES LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 September 2021

	Ordinary share capital £	Share premium £	Retained Earnings £	Total £
Balance as at 1 October 2019	1,721	2,797,438	6,597,331	9,396,490
Profit for the year	-	-	3,179,536	3,179,536
Total comprehensive income	-	-	3,179,536	3,179,536
Transactions with owners:				
Dividends paid	-	-	(3,000,000)	(3,000,000)
Balance as at 30 September 2020	<u>1,721</u>	<u>2,797,438</u>	<u>6,776,867</u>	<u>9,576,026</u>

	Ordinary share capital £	Share premium £	Retained Earnings £	Total £
Balance as at 1 October 2020	1,721	2,797,438	6,776,867	9,576,026
Profit for the 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	<u>1,721</u>	<u>2,797,438</u>	<u>12,609,839</u>	<u>15,408,998</u>

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 under IFRS 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 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.

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.

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

	2021	2020
	£	£
Revenue by geographical region		
Europe	18,729,415	13,478,228
MEA	2,052,625	508,667
Americas	3,478,079	3,283,377
Asia Pacific	1,810,696	3,543,653
	<u>26,070,815</u>	<u>20,813,925</u>

3 Profit before taxation

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

	2021	2020
	£	£
Auditors' remuneration:		
- Audit services	73,000	62,600
- Non-audit services - tax services	38,430	20,000
Research and development costs	395,731	341,834
Amortisation of intangible fixed assets	880,831	965,645
Depreciation of tangible fixed assets	268,953	300,627
Depreciation of right-of-use assets	5,848	30,505
Bad debt expense	226,852	178,983
Net gain on foreign currency translation	480,703	241,814
Other income*	1,807,330	-
Other operating leases and rentals	<u>778,297</u>	<u>778,728</u>

*Other income represents dividends received from the Company's subsidiary undertakings (2020: £nil).

4 Finance expenses

	2021	2020
	£	£
Interest payable – recharged	5,347	38,414
Interest and finance charges for lease liabilities	50	478
Interest payable - other	294	485
	<u>5,691</u>	<u>39,377</u>

5 Finance income

	2021	2020
	£	£
Bank interest receivable	655	5,088
Unwinding discount of contracts with significant financing component	64,955	44,041
	<u>65,610</u>	<u>49,129</u>

6 Directors and employees

Staff costs during the year were as follows:

	2021	2020
	£	£
Wages and salaries	8,476,271	8,125,283
Social security costs	767,460	681,930
Share based payments - recharged	110,341	68,727
Other pension costs	298,270	281,145
	<u>9,652,342</u>	<u>9,157,085</u>

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

	2021	2020
	Number	Number
Management and administration	19	20
Sales and marketing	16	15
Support and development staff	67	64
	<u>102</u>	<u>99</u>

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.

For the year ended 30 September 2021

7 Tax on profit

(a) Analysis of tax charge for the year

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

	2021	2020
	£	£
Current tax charge - UK	798,714	-
Current tax – foreign taxation	180,733	-
Total current tax charge	979,447	-
Deferred tax charge	166,732	85,458
Deferred tax – adjustment in respect of prior year	(152)	(38,064)
Deferred tax expense – total	166,580	47,394
Total tax charge	1,146,027	47,394

(b) Factors affecting current tax for the year

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

	2021	2020
	£	£
Profit before tax	9,978,999	3,226,930
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2020: 19.0%)	1,896,010	613,117
Effect of:		
Expenses not deductible for tax purposes	167,983	108,309
Non-taxable income for tax purposes	(523,551)	(206,789)
Difference between capital allowances and depreciation	26,990	7,953
Difference in tax rates	138,914	38,443
India dividend tax	61,914	-
Other short-term timing differences	(168,464)	(63,659)
Prior year tax adjustment	(152)	(38,064)
Enhanced relief for research and development	(453,617)	(411,916)
Total tax charge	1,146,027	47,394

There has been a change in the future tax rates to 25%, which has been used to calculate the deferred tax balances.

CERILLION TECHNOLOGIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2021

8 Dividends

The Board declared a dividend of £1,743 (2020: £1,743) per ordinary share totalling £3 million (2020: £3 million). Since the year end the Directors of Cerillion Technologies Limited have approved a £3million dividend to Cerillion plc.

9 Intangible fixed assets

	Goodwill £	Intellectual property rights £	Purchased customer contracts £	Software development costs £	External software licences £	Total £
Cost						
At 1 October 2020	853,347	1,660,000	400,000	6,361,468	230,453	9,505,268
Additions	-	-	-	948,198	22,014	970,212
At 30 September 2021	<u>853,347</u>	<u>1,660,000</u>	<u>400,000</u>	<u>7,309,666</u>	<u>252,467</u>	<u>10,475,480</u>
Accumulated amortisation						
At 1 October 2020	773,347	1,660,000	400,000	4,402,207	196,558	7,432,112
Provided in the year	-	-	-	856,530	24,301	880,831
At 30 September 2021	<u>773,347</u>	<u>1,660,000</u>	<u>400,000</u>	<u>5,258,737</u>	<u>220,859</u>	<u>8,312,943</u>
Net book amount at 30 September 2021	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>2,050,929</u>	<u>31,608</u>	<u>2,162,537</u>
Net book amount at 30 September 2020	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>1,959,261</u>	<u>33,895</u>	<u>2,073,156</u>

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 is being amortised over five years, being the estimated useful life of the contracts.

For the year ended 30 September 2021

10 Tangible fixed assets

	Leasehold improve- ments £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 October 2020	422,059	1,262,795	186,456	1,871,310
Additions	33,040	209,753	5,035	247,828
Disposals	-	(105,325)	-	(105,325)
At 30 September 2021	<u>455,099</u>	<u>1,367,223</u>	<u>191,491</u>	<u>2,013,813</u>
Accumulated depreciation				
At 1 October 2020	118,262	928,238	164,556	1,211,056
Provided in the year	43,587	204,098	21,268	268,953
Disposals	-	(105,325)	-	(105,325)
At 30 September 2021	<u>161,849</u>	<u>1,027,011</u>	<u>185,824</u>	<u>1,374,684</u>
Net book amount at 30 September 2021	<u>293,250</u>	<u>340,212</u>	<u>5,667</u>	<u>639,129</u>
Net book amount at 30 September 2020	<u>303,797</u>	<u>334,557</u>	<u>21,900</u>	<u>660,254</u>

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:

	30 September 2021 £	30 September 2020 £
Right-of-use assets		
IT Equipment	-	5,848
	<u>-</u>	<u>5,848</u>
Lease liabilities		
Current (note 14)	-	5,955
Non-current (note 15)	-	-
	<u>-</u>	<u>5,955</u>

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

For the year ended 30 September 2021

(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	£	£
IT Equipment	5,848	30,505
	5,848	30,505
Interest expense (included in finance cost)	50	478
Expense relating to short-term leases (included in administrative expenses)	120,674	120,797
Expenses relating to low-value assets that are not shown above as short-term leases (included in administrative expenses)	5,160	5,468

The total cash outflow for leases in 2021 was £6,005 (2020: £30,876).

12 Fixed asset investments

At 30 September 2021 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 2021 and 30 September 2020	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.

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

Contract assets, which are included in '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 year of £4,700,894 (2020: £3,003,462).

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

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

CERILLION TECHNOLOGIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2021

	2021	2020
	£	£
Current debtors		
Trade debtors	1,697,958	2,687,472
Amounts recoverable on contracts	7,763,748	6,055,648
Prepayments	473,768	398,507
	<u>9,935,474</u>	<u>9,141,627</u>

The trade debtors above are stated net of a provision for impairment of £423,329 (2020: £327,659).

	2021	2020
	£	£
Non-current debtors		
Amounts recoverable on contracts	<u>1,945,671</u>	<u>2,439,119</u>

14 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	425,950	678,579
Amounts owed to group undertakings	2,613,578	3,881,779
Corporation tax payable	798,714	-
Other taxation and social security	288,935	552,467
Pension contributions	46,383	42,232
Other creditors	36,293	16,852
Lease liabilities (note 11)	-	5,955
Accruals and deferred income	7,048,367	7,141,902
	<u>11,258,220</u>	<u>12,319,766</u>

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

15 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Deferred tax liability	578,809	412,229
	<u>578,809</u>	<u>412,229</u>

16 Deferred taxation

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

	2021	2020
	£	£
Balance brought forward	(412,229)	(364,835)
Deferred tax provision for the year	(166,580)	(47,394)
Balance carried forward	<u>(578,809)</u>	<u>(412,229)</u>

The deferred taxation liability is made up as follows:

	2021	2020
	£	£
Accelerated capital allowances	11,552	53,002
Short term timing differences	(604,602)	(599,963)
Losses and other deductions	14,241	134,732
Balance carried forward	<u>(578,809)</u>	<u>(412,229)</u>

17 Share capital

	2021 £	2020 £
Allotted, called up and partly paid		
Equity shares		
1,182 (2020: 1,182) ordinary shares of £1 each	1,182	1,182
84,586 (2020: 84,586) 'A' preferred ordinary shares of £0.00001 each	1	1
2,501,249 (2020: 2,501,249) 'B' preferred ordinary shares of £0.0000004 each	1	1
53,629 (2020: 53,629) 'Management' shares of £0.01 each	536	536
36,998 (2020: 36,998) Ordinary shares of £0.000027 each	1	1
	<u>1,721</u>	<u>1,721</u>

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 2021 the company had no such contracts (2020: none). The net unrealised loss on open currency forward contracts at 30 September 2021 was £nil (2020: £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 2021 or 30 September 2020.

20 Contingent liabilities

There were no contingent liabilities at 30 September 2021 or 30 September 2020.

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 £298,270 (2020: £281,145). At the year end the contributions payable to the scheme were £46,383 (2020: £42,232).

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 (2020: £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.