



Axios Systems Plc

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended

30 September 2017



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COMPANIES HOUSE

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 2017.

## REVIEW OF THE BUSINESS

During the year the Group has continued to develop the business and market our products in existing and new markets. Following the creation of new management roles, plans are being implemented to grow the business for the future. In October 2017 a new marketing campaign was launched with the aim of demonstrating the potential uses of our “**assyst**” product for GDPR, Facilities & HR systems support which are outside of our traditional ITSM/ITOM market.

Our Research and Development activities continue to utilise feedback from Customers and Market Analysts with Release 11 of our **assyst** software being released to customers. In line with market trends we have seen a significant increase in the demand for SaaS based solutions.

The Group operates throughout Europe, Americas, Australia, Middle East, Russia and Asia Pacific Region. The outcome of the BREXIT Negotiations is not expected to have a significant impact on trade with Europe as we have a number of local subsidiaries that are responsible for the delivery of services to our customers.

The business continues to be in a strong position to develop its products and deliver increased growth utilising existing cash resources.

## 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. The Group Transfer Pricing Policy has been developed to ensure that intercompany trade and charges are compliant with local tax legislation the policy is monitored and updated for changes to legislation, regulations 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:

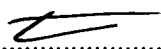
|                                 | 2017       | 2016       |
|---------------------------------|------------|------------|
|                                 | £          | £          |
| Revenue generated               | 20,847,341 | 20,286,766 |
| Pre-tax profit                  | 1,282,403  | 1,577,319  |
| Cash at Bank                    | 5,840,324  | 3,970,532  |
| Shareholders' funds at year end | 5,754,871  | 4,300,957  |

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

Anastasios Symeonides

Director

  
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The directors submit their report and consolidated financial statements for the year ended 30 September 2017.

#### PRINCIPAL ACTIVITIES

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

#### RESULTS AND DIVIDENDS

The profit before tax achieved for the year amounted to £1,282,403 (2016: £1,577,319).

There is an after tax profit of £1,232,744 (2016: £1,207,727).

No dividends were paid or proposed during the year (2016: £nil).

The directors are satisfied with the level of business achieved.

#### RESEARCH AND DEVELOPMENT

The Group continued to make investment in product research and development. Further investment in research and development has been included within long-term strategic plans. New Product features to our products were delivered to customers during the year and new releases for both "assyst" and ITOM products will come to the market in the future.

#### FUTURE DEVELOPMENTS

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

To deliver an efficient SaaS solution to customers, we have been developing alternative global platforms to improve efficiency and customer experience.

#### 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 2018 will be in line with those reported in 2017.

#### 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 payment days based on payments during the year were 21 days (2016: 26 days).

Company trade creditor payment days based on payments during the year were 23 days (2016: 26 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

#### BRANCHES OUTSIDE THE UK

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

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

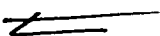
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have 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

Anastasios Symeonides  
Director

  
.....



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**

We have audited the financial statements of Axios Systems Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other



information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

**Responsibilities of directors**

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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



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

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 27/03/18

Axios Systems Plc  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the year ended 30 September 2017

(Company No. SC113394)




|  | Notes | 2017<br>£           | 2016<br>£           |
|--|-------|---------------------|---------------------|
| TURNOVER   | 1     | 20,847,341          | 20,286,766          |
| Cost of sales  |       | <u>(1,105,043)</u>  | <u>(882,185)</u>    |
| Gross profit   |       | 19,742,298          | 19,404,581          |
| Administrative expenses                                    |       | <u>(18,478,725)</u> | <u>(17,836,052)</u> |
| OPERATING PROFIT   |       | 1,263,573           | 1,568,529           |
| Interest receivable and similar income                     | 6     | <u>18,830</u>       | <u>8,790</u>        |
| PROFIT BEFORE TAXATION                                     | 2     | 1,282,403           | 1,577,319           |
| Taxation   | 7     | <u>(49,659)</u>     | <u>(369,592)</u>    |
| PROFIT AFTER TAXATION AND PROFIT<br>FOR THE FINANCIAL YEAR |       | 1,232,744           | 1,207,727           |
| OTHER COMPREHENSIVE INCOME                                 |       |                     |                     |
| Currency translation differences                           |       | <u>221,170</u>      | <u>(179,340)</u>    |
| TOTAL COMPREHENSIVE INCOME FOR<br>THE YEAR                 |       | <u>1,453,914</u>    | <u>1,028,387</u>    |

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



|  | Notes | 2017<br>£           | 2016<br>£           |
|--|-------|---------------------|---------------------|
| <b>FIXED ASSETS</b>  |       |                     |                     |
| Intangibles  | 8     | -                   | -                   |
| Other intangible assets  | 9     | 4,733,364           | 3,871,750           |
| Tangible assets  | 10    | <u>1,717,439</u>    | <u>1,747,185</u>    |
|  |       | <u>6,450,803</u>    | <u>5,618,935</u>    |
| <b>CURRENT ASSETS</b>  |       |                     |                     |
| Debtors due within one year                                    | 13    | 4,296,185           | 7,081,161           |
| Cash at bank and in hand                                       |       | <u>5,840,324</u>    | <u>3,970,532</u>    |
|  |       | 10,136,509          | 11,051,693          |
| <b>CURRENT LIABILITIES</b>                                     |       |                     |                     |
| Creditors: amounts falling due within one year                 | 14    | <u>(10,102,055)</u> | <u>(11,440,348)</u> |
| <b>NET CURRENT LIABILITIES</b>                                 |       | <u>34,454</u>       | <u>(388,655)</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 6,485,257           | 5,230,280           |
| <b>Creditors: amounts falling due after more than one year</b> |       |                     |                     |
|  | 15    | (481,977)           | (741,953)           |
| Provisions for liabilities                                     | 16    | <u>(248,409)</u>    | <u>(187,370)</u>    |
| <b>NET ASSETS</b>  |       | <u>5,754,871</u>    | <u>4,300,957</u>    |
| <b>CAPITAL AND RESERVES</b>                                    |       |                     |                     |
| Called up share capital  | 18    | 100,000             | 100,000             |
| Profit and loss account  | 19    | <u>5,654,871</u>    | <u>4,200,957</u>    |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>             |       | <u>5,754,871</u>    | <u>4,300,957</u>    |

The financial statements on pages 10 to 34 were approved by the Board of Directors and authorised for issue on 27/03/18... and are signed on its behalf by:

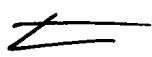
  
 Anastasios Symeonides  
 DIRECTOR



|   | Notes | 2017<br>£          | 2016<br>£          |
|---|-------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                     |       |                    |                    |
| Other intangible assets                                 | 9     | 4,733,364          | 3,871,750          |
| Tangible assets   | 10    | 1,667,769          | 1,680,623          |
| Investments   | 11    | <u>204,882</u>     | <u>204,882</u>     |
|   |       | <u>6,606,015</u>   | <u>5,757,255</u>   |
| <b>CURRENT ASSETS</b>                                   |       |                    |                    |
| Debtors due within one year                             | 13    | 5,511,915          | 7,371,723          |
| Cash at bank and in hand                                |       | <u>2,972,618</u>   | <u>2,302,539</u>   |
|   |       | 8,484,533          | 9,674,262          |
| <b>CURRENT LIABILITIES</b>                              |       |                    |                    |
| Creditors: amounts falling due within one year          | 14    | <u>(4,633,532)</u> | <u>(5,285,601)</u> |
| <b>NET CURRENT ASSETS</b>                               |       | <u>3,851,001</u>   | <u>4,388,661</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |       | 10,457,016         | 10,145,916         |
| Creditors: amounts falling due after more than one year | 15    | (133,454)          | (447,496)          |
| Provisions for liabilities                              | 16    | <u>(248,409)</u>   | <u>(187,370)</u>   |
| <b>NET ASSETS</b>                                       |       | <u>10,075,153</u>  | <u>9,511,050</u>   |
| <b>CAPITAL AND RESERVES</b>                             |       |                    |                    |
| Called up share capital                                 | 18    | 100,000            | 100,000            |
| Profit and loss account                                 | 19    | <u>9,975,153</u>   | <u>9,411,050</u>   |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>      |       | <u>10,075,153</u>  | <u>9,511,050</u>   |

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 £564,103 (2016: £2,730,353 and £2,490,844), respectively.

The financial statements on pages 10 to 34 were approved by the Board of Directors and authorised for issue on 27.03.18 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 2017



|   | Share<br>capital<br>£ | Profit and<br>loss<br>account<br>£ | Total<br>£ |
|---|-----------------------|------------------------------------|------------|
| <b>Balance at 1 October 2015</b>  | 100,000               | 3,172,570                          | 3,272,570  |
| Profit for the year   | -                     | 1,207,727                          | 1,207,727  |
| Other comprehensive income, net of tax:<br>Currency translation differences on<br>overseas subsidiaries | -                     | (179,340)                          | (179,340)  |
| <b>Total comprehensive income for the year</b>  | -                     | 1,028,387                          | 1,028,387  |
| <b>Balance at 30 September 2016</b>   | 100,000               | 4,200,957                          | 4,300,957  |
| Profit for the year   | -                     | 1,232,744                          | 1,232,744  |
| Other comprehensive income, net of tax:<br>Currency translation differences on<br>overseas subsidiaries | -                     | 221,170                            | 221,170    |
| <b>Total comprehensive income for the year</b>  | -                     | 1,453,914                          | 1,453,914  |
| <b>Balance at 30 September 2017</b>   | 100,000               | 5,654,871                          | 5,654,871  |

Axios Systems Plc  
 COMPANY STATEMENT OF CHANGES IN EQUITY  
 for the year ended 30 September 2017



|   | Share<br>capital<br>£ | Profit and<br>loss<br>account<br>£ | Total<br>£ |
|---|-----------------------|------------------------------------|------------|
| <b>Balance at 1 October 2015</b>  | 100,000               | 6,920,206                          | 7,020,206  |
| Profit for the year   | -                     | 2,730,353                          | 2,730,353  |
| Other comprehensive income, net of tax:<br>Currency translation differences on<br>overseas subsidiaries | -                     | (239,509)                          | (239,509)  |
| <b>Total comprehensive income for the year</b>  | -                     | 2,490,844                          | 2,490,844  |
| <b>Balance at 30 September 2016</b>   | 100,000               | 9,411,050                          | 9,511,050  |
| Profit and other comprehensive income for<br>the year net of tax:                                       | -                     | 564,103                            | 564,103    |
| <b>Total comprehensive income for the year</b>  | -                     | 564,103                            | 564,103    |
| <b>Balance at 30 September 2017</b>   | 100,000               | 9,975,153                          | 10,075,153 |

Axios Systems Plc  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2017



|  | <i>Notes</i> | 2017<br>£          | 2016<br>£          |
|--|--------------|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>  |              |                    |                    |
| Cash generated from operations   | 20           | 3,304,691          | 2,554,414          |
| Income taxes paid  |              | <u>(11,885)</u>    | <u>(198,129)</u>   |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                                    |              | <u>3,292,806</u>   | <u>2,356,285</u>   |
| <b>INVESTING ACTIVITIES</b>  |              |                    |                    |
| Purchase of intangible assets  |              | (1,579,887)        | (1,486,049)        |
| Purchase of tangible fixed assets  |              | (83,127)           | (51,166)           |
| Interest received  |              | <u>18,830</u>      | <u>8,790</u>       |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                 |              | <u>(1,644,184)</u> | <u>(1,528,425)</u> |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                             |              | <u>1,648,622</u>   | <u>827,860</u>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                        |              | 3,970,532          | 3,322,012          |
| Effect of foreign exchange rate changes                                      |              | <u>221,170</u>     | <u>(179,340)</u>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                              |              | <u>5,840,324</u>   | <u>3,970,532</u>   |
| Relating to:   |              |                    |                    |
| Bank balances and short term deposits included in "cash at bank and in hand" |              | <u>5,840,324</u>   | <u>3,970,532</u>   |



## GENERAL INFORMATION

Axios Systems Plc ("the company") is a public company limited by shares, and is registered and incorporated in Scotland. The company's registered number is SC113394.

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 £.

## 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.

## 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.



#### BASIS OF CONSOLIDATION (continued)

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 statements.

#### 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.

## OTHER 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.



## FINANCIAL INSTRUMENTS (continued)

### *Basic financial liabilities*

Basic financial liabilities, including trade and other creditors and loans from fellow group companies 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.

### *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:

|                                     | 2017<br>£         | 2016<br>£         |
|-------------------------------------|-------------------|-------------------|
| <b><u>Geographical segments</u></b> |                   |                   |
| <i>Continuing operations:</i>       |                   |                   |
| United Kingdom                      | 5,811,653         | 7,926,954         |
| Rest of the World                   | <u>15,035,688</u> | <u>12,359,812</u> |
|                                     | <u>20,847,341</u> | <u>20,286,766</u> |

2. PROFIT BEFORE TAXATION

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Profit before taxation is stated after charging/(crediting): |                |                |
| Depreciation of tangible fixed assets                        | 124,578        | 131,152        |
| Research and development expenditure                         | 589,846        | 586,952        |
| Amortisation of intangible fixed assets                      | 718,273        | 539,105        |
| Exchange (gains)   | (67,503)       | (134,166)      |
| Operating lease rentals                                      | <u>577,638</u> | <u>482,668</u> |

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

|  | 2017<br>£     | 2016<br>£     |
|--|---------------|---------------|
| Audit services – statutory audit of parent and consolidated accounts | 33,800        | 32,500        |
| <i>Other services:</i>   |               |               |
| Taxation compliance services   | 8,600         | 8,250         |
| All other non-audit services   | <u>4,700</u>  | <u>4,530</u>  |
|  | <u>47,100</u> | <u>45,280</u> |



### 3. EMPLOYEES

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

|                      | Group<br>2017<br>No | Group<br>2016<br>No | Company<br>2017<br>No | Company<br>2016<br>No |
|----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Production staff     | 73                  | 74                  | 43                    | 32                    |
| Administration staff | 19                  | 17                  | 14                    | 13                    |
| Management staff     | 94                  | 109                 | 49                    | 74                    |
|                      | <u>186</u>          | <u>200</u>          | <u>106</u>            | <u>119</u>            |

The aggregate payroll costs of the above were:

|                       | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|-----------------------|--------------------|--------------------|----------------------|----------------------|
| Wages and salaries    | 11,209,546         | 12,331,923         | 5,642,357            | 5,550,759            |
| Social security costs | 698,010            | 625,427            | 624,274              | 591,965              |
| Other pension costs   | 586,945            | 566,037            | 309,302              | 298,528              |
|                       | <u>12,494,501</u>  | <u>13,523,387</u>  | <u>6,575,933</u>     | <u>6,441,252</u>     |

### 4. DIRECTORS' REMUNERATION

In respect of the directors of Axios Systems Plc:

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Emoluments                                      | 397,515        | 656,865        |
| Contributions to money purchase pension schemes | <u>-</u>       | <u>6,493</u>   |
|   | <u>397,515</u> | <u>663,358</u> |

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

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Remuneration                                    | 238,143        | 369,605        |
| Contributions to money purchase pension schemes | <u>-</u>       | <u>-</u>       |
|   | <u>238,143</u> | <u>369,605</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 £nil (2016: 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 £586,945 (2016: £566,037). Contributions totalling £6,198 (2016: £4,294) were payable to the fund at the year end and are included in creditors.

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

|  | 2017<br>£     | 2016<br>£    |
|--|---------------|--------------|
| Interest on bank deposits  | <u>18,830</u> | <u>8,790</u> |
| Interest on financial assets not measured at fair value through profit or loss | <u>18,830</u> | <u>8,790</u> |

## 7. TAXATION

|   | 2017<br>£       | 2016<br>£      |
|---|-----------------|----------------|
| <b>Current tax</b>                                |                 |                |
| UK corporation tax                                | -               | 100,172        |
| Foreign tax                                       | 16,954          | 89,308         |
| Adjustments in respect of prior year:             |                 |                |
| - UK corporation tax                              | (29,035)        | -              |
| - Foreign tax                                     | 701             | (7,260)        |
| <b>Total current tax</b>                          | <u>(11,380)</u> | <u>182,222</u> |
| <b>Deferred tax</b>                               |                 |                |
| Origination and reversal of timing differences    | 56,752          | 187,370        |
| Adjustment in respect of prior periods            | 4,287           | -              |
| <b>Total deferred tax</b>                         | <u>61,039</u>   | <u>187,370</u> |
| <b>Total tax on profit on ordinary activities</b> | <u>49,659</u>   | <u>369,592</u> |



7. TAXATION (CONTINUED)

*Factors affecting the tax charge for the year:*

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

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Group profit before tax  | <u>1,282,403</u> | <u>1,577,319</u> |
| Group profit multiplied by the standard rate of corporation tax in the UK of 19.5% (2016: 20%) | 250,069          | 315,464          |
| Effects of:  |                  |                  |
| Expenses that are not deductible in determining taxable profit                                 | 193,076          | (128,653)        |
| Utilisation of tax losses not previously recognised  | (364,357)        | 289,705          |
| Unrelieved tax losses  | 24,707           | -                |
| Capital allowances in excess of depreciation   | 65,406           | 192,005          |
| Effect of different tax rates of subsidiaries operating in other jurisdictions                 | 36,143           | 173,480          |
| Other fixed asset differences, adjustments and movements                                       | 2,034            | -                |
| Overseas Tax   | 16,954           | 89,310           |
| Tax losses utilised  | -                | (412,104)        |
| Other short term timing differences  | (309)            | (4,635)          |
| Other permanent differences  | (1,389)          | -                |
| Research and development tax credit  | (148,629)        | (137,720)        |
| Adjustment to tax charge in respect of previous year   | <u>(24,046)</u>  | <u>(7,260)</u>   |
| Tax expense  | <u>49,659</u>    | <u>369,592</u>   |

At 30 September 2017, the group had unrelieved tax losses totalling £4,297,177 (2016: £4,826,088).



#### 8. INTANGIBLE FIXED ASSETS – GOODWILL

| Group  | Positive<br>Goodwill<br>£ |
|--|---------------------------|
| Cost:<br>1 October 2016 and 30 September 2017                        | <u>190,774</u>            |
| Amortisation and impairment:<br>1 October 2016 and 30 September 2017 | <u>190,774</u>            |
| Carrying amount:<br>30 September 2017                                | <u>-</u>                  |
| 30 September 2016  | <u>-</u>                  |

#### 9. OTHER INTANGIBLE ASSETS

| Group and company                              | Development<br>Expenditure<br>£ |
|--|---------------------------------|
| Cost:<br>1 October 2016                        | 4,847,868                       |
| Additions – internally generated               | <u>1,579,887</u>                |
| 30 September 2017                              | <u>6,427,755</u>                |
| Amortisation and impairment:<br>1 October 2016 | 976,118                         |
| Amortisation charged in the year               | <u>718,273</u>                  |
| 30 September 2017                              | <u>1,694,391</u>                |
| Carrying amount:<br>30 September 2017          | <u>4,733,364</u>                |
| 30 September 2016                              | <u>3,871,750</u>                |

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



10. TANGIBLE FIXED ASSETS

| Group                               | Freehold<br>property<br>£ | Plant and<br>Machinery<br>£ | Motor<br>Vehicles<br>£ | Equipment<br>£ | Total<br>£ |
|-------------------------------------|---------------------------|-----------------------------|------------------------|----------------|------------|
| Cost:                               |                           |                             |                        |                |            |
| 1 October 2016                      | 1,738,105                 | 81,679                      | 83,849                 | 832,104        | 2,735,737  |
| Additions                           | -                         | -                           | -                      | 83,127         | 83,127     |
| Disposals                           | -                         | -                           | -                      | (145,808)      | (145,808)  |
| Exchange adjustment                 | -                         | 4,208                       | (16,441)               | (13,367)       | (25,600)   |
| 30 September 2017                   | 1,738,105                 | 85,887                      | 67,408                 | 756,056        | 2,647,456  |
| Depreciation:                       |                           |                             |                        |                |            |
| 1 October 2016                      | 156,427                   | 59,472                      | 83,849                 | 688,804        | 988,552    |
| Depreciation charged<br>in the year | 10,429                    | 17,550                      | -                      | 96,599         | 124,578    |
| Disposals                           | -                         | -                           | -                      | (145,808)      | (145,808)  |
| Exchange adjustment                 | -                         | 2,601                       | (16,441)               | (23,465)       | (37,305)   |
| 30 September 2017                   | 166,856                   | 79,623                      | 67,408                 | 616,130        | 930,017    |
| Carrying amount:                    |                           |                             |                        |                |            |
| 30 September 2017                   | 1,571,249                 | 6,264                       | -                      | 139,926        | 1,717,439  |
| 30 September 2016                   | 1,581,678                 | 22,207                      | -                      | 143,300        | 1,747,185  |



10. TANGIBLE FIXED ASSETS (CONTINUED)

| Company                             | Freehold<br>property<br>£ | Equipment<br>£ | Total<br>£       |
|-------------------------------------|---------------------------|----------------|------------------|
| Cost:                               |                           |                |                  |
| 1 October 2016                      | 1,738,105                 | 573,523        | 2,311,628        |
| Additions                           | -                         | 61,479         | 61,479           |
| Disposals                           | -                         | (68,103)       | (68,103)         |
| Exchange adjustment                 | -                         | (48,616)       | (48,616)         |
|                                     | <u>1,738,105</u>          | <u>518,283</u> | <u>2,256,388</u> |
| 30 September 2017                   |                           |                |                  |
| Depreciation:                       |                           |                |                  |
| 1 October 2016                      | 156,427                   | 474,578        | 631,005          |
| Depreciation charged in the<br>year | -                         | 78,737         | 78,737           |
| Disposals                           | -                         | (68,103)       | (68,103)         |
| Exchange adjustment                 | -                         | (53,020)       | (53,020)         |
|                                     | <u>156,427</u>            | <u>432,192</u> | <u>588,619</u>   |
| 30 September 2017                   |                           |                |                  |
| Carrying amount:                    |                           |                |                  |
| 30 September 2017                   | <u>1,581,678</u>          | <u>86,091</u>  | <u>1,667,769</u> |
| 30 September 2016                   | <u>1,581,678</u>          | <u>98,945</u>  | <u>1,680,623</u> |

11. FIXED ASSET INVESTMENTS

| Company  | Group<br>Companies<br>£ |
|--|-------------------------|
| Cost:  |                         |
| 1 October 2016 and 30 September 2017                 | <u>505,768</u>          |
| Provision for impairment:                            |                         |
| 1 October 2016 and 30 September 2017                 | <u>300,886</u>          |
| Carrying amount – Subsidiary undertakings (note 12): |                         |
| 30 September 2017                                    | <u>204,882</u>          |
| 30 September 2016                                    | <u>204,882</u>          |



## 12. SUBSIDIARY UNDERTAKINGS

| <b>Name of undertaking</b> | <b>Registered Office</b>  | <b>Proportion of nominal value of ordinary shares held directly</b> | <b>Nature of business</b> |
|----------------------------|---|---|---------------------------|
| Axios Systems GmbH         | 47 Berg Am Lain Strasse<br>Munich 80336<br>Germany  | 100%  | Software and services     |
| Axios Systems Inc          | Suite 501<br>2214 Rock Hill Road<br>Herndon VA 20170<br>USA   | 100%  | Software and services     |
| Axios Systems Pty Ltd      | Suite 1014,1015 & 1016<br>401 Docklands Drive<br>Docklands 3008<br>Melbourne<br>Australia               | 100%  | Software and services     |
| Axios Systems LLC          | Millennium House<br>Trubnaya Str 12<br>Fourth Floor<br>107045 Moscow<br>Russia                          | 100%  | Software and services     |
| Axios Systems FZ LLC       | Suite 603<br>Arjaan Office Tower<br>Dubai Media City<br>PO Box 502381<br>Dubai                          | 100%  | Software and services     |
| Axios Systems (Cyprus) Ltd | 5 <sup>th</sup> floor, Apt 501, Kostas<br>Michides Building<br>4 Agias Elenis<br>1060 Nicosia<br>Cyprus | 100%  | Dormant                   |
| Axios Systems S.R.L.       | 8 Via Alberico Albricci<br>20122 Milano<br>Italy  | 100%  | Software and services     |



13. DEBTORS

|   | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| Amounts falling due within one year:    |                    |                    |                      |                      |
| Trade debtors                           | 3,448,213          | 5,822,792          | 595,148              | 3,709,265            |
| Amounts owed by subsidiary undertakings | -                  | -                  | 4,143,679            | 3,377,677            |
| Corporation tax                         | 67,755             | 107,154            | 22,301               | -                    |
| Other debtors                           | 261,955            | 563,468            | 55,680               | 195,378              |
| Prepayments and accrued income          | 518,262            | 587,747            | 695,107              | 89,403               |
|   | <u>4,296,185</u>   | <u>7,081,161</u>   | <u>5,511,915</u>     | <u>7,371,723</u>     |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|--|--------------------|--------------------|----------------------|----------------------|
| Trade creditors                          | 397,433            | 588,646            | 189,773              | 418,690              |
| Other taxation and social security costs | 480,703            | 1,404,547          | 267,582              | 822,052              |
| Corporation tax                          | 37,509             | 100,172            | -                    | 83,547               |
| Amounts owed to subsidiary undertakings  | -                  | -                  | 291,638              | -                    |
| Other creditors                          | 404,889            | 665,630            | 387,174              | 373,909              |
| Accruals and deferred income             | 8,781,521          | 8,681,353          | 3,497,365            | 3,587,403            |
|  | <u>10,102,055</u>  | <u>11,440,348</u>  | <u>4,633,532</u>     | <u>5,285,601</u>     |

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

|                              | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|------------------------------|--------------------|--------------------|----------------------|----------------------|
| Accruals and deferred income | <u>481,977</u>     | <u>741,953</u>     | <u>133,454</u>       | <u>447,496</u>       |



## 16. PROVISIONS FOR LIABILITIES

Deferred tax assets and liabilities are offset where the group or company has legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| Group & Company               | Liabilities<br>2017<br>£ | Liabilities<br>2016<br>£ | Assets<br>2017<br>£ | Assets<br>2016<br>£ |
|-------------------------------|--------------------------|--------------------------|---------------------|---------------------|
| ACAs                          | 249,026                  | 192,005                  | -                   | -                   |
| Short term timing differences | -                        | -                        | 617                 | 4,635               |
|                               | <u>248,026</u>           | <u>192,005</u>           | <u>617</u>          | <u>4,365</u>        |

| Movements in the year:      | Group<br>2017<br>£ | Company<br>2016<br>£ |
|-----------------------------|--------------------|----------------------|
| Liability at 1 October 2016 | 187,370            | 187,370              |
| Charge to profit or loss    | 61,039             | 61,039               |
|                             | <u>248,409</u>     | <u>248,409</u>       |

The deferred tax liability set out above relates to accelerated capital allowances and short term difference and is expected to reverse within 5 years.

## 17. FINANCIAL INSTRUMENTS

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

|                                    | Group<br>2017<br>£ | Group<br>2016<br>£ |
|------------------------------------|--------------------|--------------------|
| Financial assets:                  |                    |                    |
| Debt instruments at amortised cost | <u>3,757,579</u>   | <u>6,484,375</u>   |
| Financial liabilities:             |                    |                    |
| Measured at amortised cost         | <u>1,345,320</u>   | <u>1,954,906</u>   |

## 18. SHARE CAPITAL

| Group and Company  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Allotted, issued and fully paid:<br>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  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Profit after tax   | 1,121,891        | 1,207,727        |
| Adjustments for:   |                  |                  |
| Depreciation of tangible fixed assets                    | 124,578          | 131,152          |
| Amortisation of intangible assets                        | 718,273          | 539,105          |
| Translation difference on tangible assets                | (11,705)         | -                |
| Interest receivable                                      | (18,830)         | (8,790)          |
| Taxation   | 49,659           | 369,592          |
| Operating cash flows before movements in working capital | 1,983,866        | 2,238,786        |
| (Increase) in stock                                      | (45,541)         | -                |
| Decrease / (Increase) in trade and other debtors         | 2,791,118        | (1,854,583)      |
| (Decrease) / Increase in trade and other creditors       | (1,533,605)      | 2,170,211        |
| Cash generated from operations                           | <u>3,304,691</u> | <u>2,554,414</u> |

## CASH AND CASH EQUIVALENTS

| Group                                | 2017<br>£        | 2016<br>£        |
|--------------------------------------|------------------|------------------|
| Cash and cash equivalents represent: |                  |                  |
| Cash at bank                         | <u>5,840,324</u> | <u>3,970,532</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                      | 2017<br>£      | 2016<br>£      |
|----------------------------|----------------|----------------|
| Amounts due:               |                |                |
| Within one year            | 430,621        | 377,621        |
| Between one and five years | 263,552        | 223,773        |
|                            | <u>694,173</u> | <u>601,394</u> |
| Company                    | 2017<br>£      | 2016<br>£      |
| Amounts due:               |                |                |
| Within one year            | 86,949         | 89,013         |
| Between one and five years | 18,118         | 39,863         |
|                            | <u>105,067</u> | <u>128,876</u> |

## 22. RELATED PARTY TRANSACTIONS

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

|   | Key management<br>personnel |           | Entities/individuals with<br>control, joint control or<br>significant influence |           |
|---|-----------------------------|-----------|---|-----------|
|   | 2017<br>£                   | 2016<br>£ | 2017<br>£   | 2016<br>£ |
| Advances in the year                                    | 27,284                      | 7,515     | 724,244   | 775,485   |
| Amounts owed by related parties<br>at 30 September 2017 | 24,235                      | 14,879    | -   | 51,783    |
| Amounts owed to related parties<br>at 30 September 2017 | -                           | -         | 244,558   | -         |

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.