CERILLION TECHNOLOGIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2023

Company no 03849601

Company registration number:	03849601	
Registered office:	25 Bedford Street London England WC2E 9ES	
Directors:	A R Dickson L T Hall M Dee A M Howarth	
Secretary:	A R Dickson	
Bankers:	HSBC UK Bank plc 69 Pall Mall St James London SW1Y 5EY	National Westminster Bank 332 High Holborn London WC1V 7PA
Solicitors:	Orrick, Herrington & Sutcliffe (Europe) LLP 107 Cheapside London EC2V 6DN	
Independent Auditors:	PricewaterhouseCoopers LLP Registered Auditors Chartered Accountants 4th Floor, One Reading Central 23 Forbury Road Reading RG1 3JH United Kingdom	

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

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

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

Cerillion continued to consolidate its position in the telecoms enterprise software market in FY2023, with the addition of new customers and the enhancement of the product set through continued R&D. Turnover increased by 20% to £39.2m (2022: £32.7m) whilst generating a 38.4% operating profit margin (2022: 32.9%). Operating profit increased due to the increase in revenue as well as operational leverage. The company ended the year with net assets of £31.8m (2022: £21.9m) of which £24.2m was cash (2022: £19.4m).

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

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

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

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

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

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

Dividends

The directors made a dividend payment of £3,000,000 to Cerillion plc during the year ended 30 September 2023 (2022: £3,000,000). Since the year end the Directors of Cerillion Technologies Limited have approved a £5,000,000 dividend to Cerillion plc.

Key performance indicators

The Company's key performance indicators are the same as those of the Cerillion plc Group and are disclosed within the Cerillion plc annual report for the year ended 30 September 2023, which does not form part of this report.

Future developments

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

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

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

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 2023, which does not form part of this report.

Reporting on compliance with section 172 requirements
In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act.) in the decisions taken during the year ended 30 September 2023.

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

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

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

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

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

This report is approved by the board on 17 November 2023 and signed on its behalf.

L T Hall (Nov 17, 2023 15:42 GMT)

L T Hall
Director

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

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

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, unless stated, were as follows:

L T Hall
A R Dickson
G J O'Connor (resigned 24 November 2022)
A M Howarth
M Dee (appointed 24 November 2022)

Branches in the EU

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

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

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

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

Streamlined Energy and Carbon Reporting (SECR)
In 2023 Cerillion Technologies Limited met the reporting threshold for Streamlined Energy and Carbon Reporting (SECR) disclosure for the first time. Under the reporting requirements, companies based in the UK are required to report on their energy usage. Information relating to the Company's streamlined energy and carbon reporting can be found in the directors' report in the Cerillion plc financial statements.

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

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

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

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

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

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

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

Independent Auditors

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

APPROVED ON BEHALF OF THE BOARD

L T Hall (Nov 17, 2023 15:42 GMT)

L T Hall
Director
17 November 2023

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 2023 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, including 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 2023; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Report of the directors'

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

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

In preparing the financial statements, the directors are responsible for assessing the 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 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 inquires with management and those charged with governance around actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance; and
- performing audit procedures over the risk of management override of controls, including journal entries testing, assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature of extent of audit procedures performed by us.

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

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
17 November 2023

PRINCIPAL ACCOUNTING POLICIES

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

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

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound thousands (£'000) except when otherwise indicated.

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

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

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

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

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

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

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

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

IFRS applied for the first time in the current financial statements
The Company has applied the following Standards and Amendments for the first time for their annual reporting period commencing 1 October 2022:

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

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

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

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

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

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

Foreign currency translation
(i) Functional and presentation currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which group entities operate ('the functional currency"). The Financial Statements are presented in sterling, which is the Company's functional and presentation currency. There has been no change in the functional currency during the current or preceding period.

(ii) Transactions and balances
Transactions in foreign currencies are translated into sterling using monthly average exchange rates. This is permissible in this case as there are no significant fluctuations between the currencies with which the entity operates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the Statement of financial position date and any exchange differences arising are taken to statement of comprehensive income.

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

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

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

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

Judgement is required when determining which promises are distinct and which are not. Generally, the Company's products and services sold follow a prescribed treatment and are consistent across customers. However, this can vary by customer contract depending on the terms and conditions of the contract and requires evaluation of performance obligations for every contract.
Revenue to recognise: 'The transaction price'
Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes.

When a contract includes a significant financing component as a result of payments made in arrears (i.e. typically milestone payments made after one-year from contract inception), the accounting effect of the adjustment for the financing component decreases the amount of revenue recognised with a corresponding increase to finance income as the Company has provided financing to the customer. The Company's contracts do not typically include variable consideration.

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

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

(i) Sale of standard licensed products
Revenue from standard licensed products comprises three elements, being:
• Initial licence and implementation fees ("inception fees")
• Ongoing maintenance and support fees
• Software-as-a-Service

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

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

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

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

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

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

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

(iv) Third party time, material works and re-billable expenses
Revenue on contracted third party time and material works is recognised on a time basis using pre agreed day rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

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

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

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

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

Impairment

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

Financial instruments

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

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

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

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

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

Classification and subsequent measurement of financial liabilities
The Company's financial liabilities include other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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

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

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

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

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

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

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

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

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

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

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

Intangible assets and amortisation
(i) Software (development expenditure & external software licences)
Expenditure on research is written off in the period in which it is incurred. Development expenditure incurred on specific projects are capitalised where the Board is satisfied that the following criteria have been met:
• it is technically feasible to complete the software product so that it will be available for use;
• management intends to complete the software product and use or sell it;
• there is an ability to use or sell the software product;
• it can be demonstrated how the software product will generate probable future economic benefits;
• adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
• the expenditure attributable to the software product during its development can be reliably measured.

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

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

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

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

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

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

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

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

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

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

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

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

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

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Revenue	2	**39,170**	32,726
Cost of sales		**(11,827)**	(10,199)
Gross profit		**27,343**	22,527
Administrative expenses		**(10,668)**	(8,699)
Impairment losses on financial assets	3	**(256)**	(1,770)
Depreciation and amortisation		**(1,392)**	(1,281)
Operating profit		**15,027**	10,777
Finance expenses	4	**(10)**	(6)
Finance income	5	**955**	335
Profit before taxation	3	**15,972**	11,106
Taxation on profit	7	**(3,111)**	(1,571)
Profit for the financial year		**12,861**	9,535
Other comprehensive income		**-**	-
Total comprehensive income for the year		**12,861**	9,535

All transactions arise from continuing operations.

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

As at 30 September 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	9	2,453	2,237
Tangible assets	10	713	857
Right-of-use assets	11	43	106
Investments	12	1	1
		3,210	3,201
Current assets			
Debtors: amount falling due after more than one year	13	5,036	2,095
Debtors: amount falling due within one year	13	14,734	10,949
Cash at bank and in hand		24,222	19,434
		43,992	32,478
Creditors: amounts falling due within one year	14	(14,273)	(12,700)
Net current assets		29,719	19,778
Total assets less current liabilities		32,929	22,979
Creditors: amounts falling due after more than one year	15	(1,124)	(1,035)
Net assets		31,805	21,944
Capital and reserves			
Ordinary share capital	17	2	2
Share premium account		2,797	2,797
Retained earnings		29,006	19,145
Total shareholders' funds		31,805	21,944

The financial statements on pages 12 to 37 were approved and authorised for issue by the Board of Directors on 17 November 2023.

Signed on behalf of the Board of Directors by:

L T Hall (Nov 17, 2023 15:42 GMT)

L T Hall - Director

Company Number 03849601

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

For the year ended 30 September 2023

	Ordinary share capital £'000	Share premium account £'000	Retained Earnings £'000	Total £'000
Balance as at 1 October 2021	2	2,797	12,610	15,409
Profit for the financial year	-	-	9,535	9,535
Total comprehensive income	-	-	9,535	9,535
Transactions with owners:				
Dividends paid	-	-	(3,000)	(3,000)
Balance as at 30 September 2022	**2**	**2,797**	**19,145**	**21,944**

	Ordinary share capital £'000	Share premium account £'000	Retained Earnings £'000	Total £'000
Balance as at 1 October 2022	2	2,797	19,145	21,944
Profit for the financial year	-	-	12,861	12,861
Total comprehensive income	-	-	12,861	12,861
Transactions with owners:				
Dividends paid	-	-	(3,000)	(3,000)
Balance as at 30 September 2023	**2**	**2,797**	**29,006**	**31,805**

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

1 Critical accounting estimates and judgements

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

Judgements

(i) Capitalisation of development costs

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

(ii) Revenue recognition

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

Estimates

(i) 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.

(ii) 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.

(iii) Revenue recognition

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

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.

(ii) Calculation of future minimum lease payments

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

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

2 Revenue

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

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

	2023 £'000	2022 £'000
Revenue by geographical region		
UK & Europe	**19,452**	20,389
MEA	**10,722**	3,166
Americas	**7,887**	7,938
Asia Pacific	**1,109**	1,233
	39,170	32,726

3 Profit before taxation

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

	2023 £'000	2022 £'000
Auditors' remuneration:		
- Audit services	**110**	80
- Non-audit services - tax services	**6**	81
- Non-audit services - other services	**30**	4
Research and development costs	**572**	385
Amortisation of intangible fixed assets	**930**	908
Depreciation of tangible fixed assets	**399**	348
Depreciation of right-of-use assets	**63**	25
Impairment losses on financial assets	**256**	1,770
Net loss/(gain) on foreign currency translation	**234**	(547)
Other operating leases and rentals	**1,042**	830

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

4 Finance expenses

	2023 £'000	2022 £'000
Interest and finance charges for lease liabilities	**2**	1
Interest payable - other	**8**	5
	10	6

5 Finance income

	2023 £'000	2022 £'000
Bank interest	**579**	73
Unwinding discount of contracts with significant financing component	**376**	262
	955	335

6 Directors and employees

Staff costs during the year were as follows:

	2023 £'000	2022 £'000
Wages and salaries	**10,507**	9,303
Social security costs	**846**	830
Share based payments - recharged	**209**	60
Other pension costs	**290**	301
	11,852	10,494

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

	2023 Number	2022 Number
Management and administration	**23**	20
Sales and marketing	**17**	16
Support and development staff	**81**	77
	121	113

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 details of Directors' remuneration, refer to the Remuneration report on pages 19 to 21 within the Cerillion plc Annual Report available on the Cerillion plc website.

7 Tax on profit

(a) Analysis of tax charge for the year

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

	2023 £'000	2022 £'000
Current tax charge - UK	3,074	1,524
Current tax – adjustment in respect of prior year	(9)	1
Total current tax charge	3,065	1,525
Deferred tax charge	41	64
Deferred tax - adjustment in respect of prior year	5	(18)
Deferred tax expense – total	46	46
Total tax charge	3,111	1,571

(b) Factors affecting current tax for the year

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

	2023 £'000	2022 £'000
Profit before taxation	15,972	11,106
Profit multiplied by standard rate of corporation tax in the United Kingdom of 22.0% (2022: 19.0%)	3,515	2,110
Effect of:		
Expenses not deductible for tax purposes	258	230
Permanent differences on fixed assets	6	(25)
Difference in tax rates	5	15
Other short-term timing differences	42	(162)
Prior year tax adjustment	(9)	1
Prior year tax adjustment – deferred tax	5	(18)
Enhanced relief for research and development	(711)	(580)
Total tax charge	3,111	1,571

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax rate will increase from 19% to 25%. This new rate was substantively enacted on 24 May 2021 and therefore its impact was reflected in the measurement of deferred taxes in the prior year financial statements. In the current year ended 30 September 2023, the impact of the increase to 25% from 1 April 2023 resulted in the standard tax rate of 22.0%.

8 Dividends

The directors made a dividend payment of £3,000,000 to Cerillion plc during the year ended 30 September 2023 (2022: £3,000,000). Since the year end the Directors of Cerillion Technologies Limited have approved a £5,000,000 dividend to Cerillion plc.

9 Intangible assets

	Goodwill £'000	Intellectual property rights £'000	Purchased customer contracts £'000	Software development costs £'000	External software licences £'000	Total £'000
Cost						
At 1 October 2022	854	1,660	400	8,275	269	11,458
Additions	-	-	-	1,146	-	1,146
Disposals	-	-	-	-	-	-
At 30 September 2023	**854**	**1,660**	**400**	**9,421**	**269**	**12,604**
Accumulated amortisation						
At 1 October 2022	774	1,660	400	6,143	244	9,221
Provided in the year	-	-	-	915	15	930
Disposals	-	-	-	-	-	-
At 30 September 2023	**774**	**1,660**	**400**	**7,058**	**259**	**10,151**
Net book amount at 30 September 2023	**80**	-	-	**2,363**	**10**	**2,453**
Net book amount at 30 September 2022	80	-	-	2,132	25	2,237

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

10 Tangible assets

	Leasehold improve-ments £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 October 2022	455	1,875	193	2,523
Additions	-	221	34	255
Disposals	-	-	-	-
At 30 September 2023	**455**	**2,096**	**227**	**2,778**
Accumulated depreciation				
At 1 October 2022	209	1,267	190	1,666
Provided in the year	47	343	9	399
Disposals	-	-	-	-
At 30 September 2023	**256**	**1,610**	**199**	**2,065**
Net book amount at 30 September 2023	**199**	**486**	**28**	**713**
Net book amount at 30 September 2022	246	608	3	857

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 show the following amounts relating to leases:

Right-of-use assets	**30 September 2023 £'000**	30 September 2022 £'000
Properties	**34**	93
IT Equipment	**9**	13
	43	106

Lease liabilities	**30 September 2023 £'000**	30 September 2022 £'000
Current (note 14)	**43**	60
Non-current (note 15)	**-**	43
	43	103

Additions to the right-of-use assets during the 2023 financial year were £nil (2022: £131,000). There were lease disposals during the year with net book value totalling £nil (2022: no disposals).

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

	2023	2022
Depreciation charge of right-of-use assets	**£'000**	£'000
Properties	59	25
IT Equipment	4	-
	63	25
Interest expense (included in finance cost)	2	1
Expense relating to short-term leases (included in administrative expenses)	1,035	830
Expenses relating to low-value assets that are not shown above as short-term leases (included in administrative expenses)	7	-

The total cash outflow for leases in 2023 was £62,000 (2022: £24,000).

12 Investments

At 30 September 2023 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 EOOD	Bulgaria	100%	31 December	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. Cerillion Technologies EOOD was incorporated during the year on 8 September 2023, and it's registered office is: 47A Cherni Vrah Blvd, Floor 5, Sofia 1407, Bulgaria.

	Investments in group undertakings £'000
Cost at 30 September 2022	1
Additions	-
Cost at 30 September 2023	**1**

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.

	2023 £'000	2022 £'000
Trade debtors	**2,857**	2,503
Contract assets	**15,543**	9,853
Contract liabilities	**(5,039)**	(4,613)

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

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

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

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

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

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

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

Current debtors	**2023**	2022
	£'000	£'000
Trade debtors	**2,857**	2,503
Amounts recoverable on contracts	**10,507**	7,759
Other debtors	**166**	63
Prepayments	**1,204**	624
	14,734	10,949

The trade debtors and amounts recoverable on contracts above are stated net of a provision for impairment of £681,000 (2022: £425,000).

Non-current debtors	**2023**	2022
	£'000	£'000
Amounts recoverable on contracts	**5,036**	2,095

14 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	**780**	1,035
Amounts owed to group undertakings	**3,924**	3,078
Corporation tax payable	**1,052**	775
Other taxation and social security	**327**	363
Pension contributions	**51**	46
Other creditors	**52**	54
Lease liabilities (note 11)	**43**	60
Accruals and deferred income	**8,044**	7,289
	14,273	12,700

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

15 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Lease liabilities	-	43
Deferred income	454	368
Deferred tax liability	670	624
	1,124	1,035

16 Deferred taxation

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

	2023 £'000	2022 £'000
Balance brought forward	(624)	(579)
Deferred tax provision for the year	(46)	(45)
Balance carried forward	(670)	(624)

The deferred taxation liability is made up as follows:

	2023 £'000	2022 £'000
Accelerated capital allowances	(74)	(74)
Short term timing differences	(596)	(550)
Losses and other deductions	-	-
Balance carried forward	(670)	(624)

17 Ordinary share capital

	2023 £'000	2022 £'000
Allotted, called up and partly paid		
Equity shares		
1,182 (2022: 1,182) ordinary shares of £1 each	1	1
84,586 (2022: 84,586) 'A' preferred ordinary shares of £0.00001 each	-	-
2,501,249 (2022: 2,501,249) 'B' preferred ordinary shares of £0.0000004 each	-	-
53,629 (2022: 53,629) ' Management' shares of £0.01 each	1	1
36,998 (2022: 36,998) Ordinary shares of £0.000027 each	-	-
	2	2

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 2023 the company had no such contracts (2022: none). The net unrealised loss on open currency forward contracts at 30 September 2023 was £nil (2022: £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 commitments as at 30 September 2023 or 30 September 2022.

20 Contingent liabilities

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

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 £290,000 (2022: £301,000). At the year end the contributions payable to the scheme were £51,000 (2022: £46,000).

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 (2022: £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

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

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.