

Company Registration No. SC113394 (Scotland)



AXIOS SYSTEMS PLC

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2018**



AXIOS SYSTEMS PLC



COMPANY INFORMATION

Directors	Anastasios Symeonides Ailsa Symeonides
Secretary	Ailsa Symeonides
Company number	SC113394
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 EH3 9QG
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh United Kingdom EH2 2AD

AXIOS SYSTEMS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present the strategic report for the year ended 30 September 2018.

Fair review of the business

During the year the Group has continued to develop the business and market our products in existing and new markets. The company is currently developing its strategy to expand the utilisation of the **assyst** product suite into the Enterprise Service Management Markets (HR, Facilities Management, Finance, etc) while continuing to support the existing markets of ITSM and ITOM.

Our Research and Development activities continue to utilise feedback from customers and Market Analysts with the next release of our **assyst** software suite expected to be available to customers in 2019. As expected, market trends have continued to focus on an increased demand for SaaS based solutions.

The Group operates throughout Europe, Americas, Australia, Middle East, Russia and Asia Pacific Region. The company anticipates that BREXIT will not have a significant impact on trade in Europe. Locally established subsidiaries and branches are responsible for the delivery of services to their local customers.

The business continues to be in a strong position to develop its products and deliver increased growth utilising existing cash resources. It is also anticipated that additional investment in Channel activities will result in increased capacity and revenues.

Group turnover fell to £20.3m (2017: £20.8m) with gross profit decreasing from £19.7m to £18.9m. There has been a shift over the last few years from Software Sales to subscriptions and this partially explains the reduction in turnover in the first year of new contracts. However, this should result in increased revenue in future years.

An operating profit of £93k (2017: £1,264k) was achieved. This is a reduction on the prior year following significant investment in developing our Azure SaaS platform which increased external hosting costs during the year. However, savings from this investment will be delivered in future years. Recruitment of additional Sales and Support Staff was undertaken to support both growth of sales in the future and enhance the service delivered to customers resulting in a cost increase during the year. Future sales growth targets have been adjusted to reflect the increased investment in staff. Marketing expenditure increased during the year to support our products in new and existing markets. The group had net assets of £5.9m (2017: £5.8m), however net current liabilities of £0.7m (2017: net current assets of £0.03m). The net current liabilities position has arisen as a result of increased investment in a new hosting platform, which has also had a significant impact on year end bank balances.

Financial outlook

Looking forward we expect total revenues to grow annually and due to strategic investments in staff and resources to deliver our growth strategy we anticipate that the company will sustain healthy profitability.

AXIOS SYSTEMS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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:

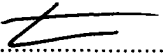
	2018	2017
	£	£
Revenue generated	20,284,715	20,847,341
Pre-tax profit	105,078	1,282,403
Cash at Bank	3,996,376	5,840,324
Shareholders' funds at year end	5,888,523	5,754,871

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.

AXIOS SYSTEMS PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

On behalf of the board



.....
Anastasios Symeonides
Director

Date: 29/3/19

AXIOS SYSTEMS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their annual report and financial statements for the year ended 30 September 2018.

Principal activities

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Anastasios Symeonides

Ailsa Symeonides

Alexandros Symeonides

(Appointed 6 April 2018 and resigned 6 April 2018)

Branches outside the UK

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

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

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.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

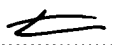
Policy on payment of creditors

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 (2017: 21 days).

Company trade creditor payment days based on payments during the year were 22 days (2017: 23 days).

On behalf of the board


.....
Anastasios Symeonides
Director

Date: 29/3/19

AXIOS SYSTEMS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors are responsible for preparing the Strategic Report and the 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 company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated 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 the parent company's affairs as at 30 September 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 and parent company 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 our 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 have been prepared in accordance with applicable legal requirements.

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

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 their 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 5, 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.

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.

Use of our 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
EH3 9QG
29/03/19

AXIOS SYSTEMS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	20,284,715	20,847,341
Cost of sales		(1,400,088)	(1,105,043)
Gross profit		18,884,627	19,742,298
Administrative expenses		(18,791,551)	(18,478,725)
Operating profit	6	93,076	1,263,573
Interest receivable and similar income	8	12,201	18,830
Interest payable and similar expenses	9	(199)	-
Profit before taxation		105,078	1,282,403
Tax on profit	10	(889)	(49,659)
Profit for the financial year		104,189	1,232,744
Other comprehensive income net of taxation			
Currency translation differences		29,463	221,170
Total comprehensive income for the year		133,652	1,453,914

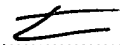
Profit for the financial year is all attributable to the owners of the parent company.

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

AXIOS SYSTEMS PLC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2018**

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	11		5,389,407		4,733,364
Tangible assets	12		1,784,089		1,717,439
			<u>7,173,496</u>		<u>6,450,803</u>
Current assets					
Debtors	15	5,791,616		4,296,185	
Cash at bank and in hand		3,996,376		5,840,324	
			<u>9,787,992</u>		<u>10,136,509</u>
Creditors: amounts falling due within one year	16	(10,532,892)		(10,102,055)	
Net current (liabilities)/assets			<u>(744,900)</u>		<u>34,454</u>
Total assets less current liabilities			<u>6,428,596</u>		<u>6,485,257</u>
Creditors: amounts falling due after more than one year	17		(218,454)		(481,977)
Provisions for liabilities	19		(321,619)		(248,409)
Net assets			<u>5,888,523</u>		<u>5,754,871</u>
Capital and reserves					
Called up share capital	22		100,000		100,000
Profit and loss reserves	23		5,788,523		5,654,871
Total equity			<u>5,888,523</u>		<u>5,754,871</u>

The financial statements were approved by the board of directors and authorised for issue on 29/3/19 and are signed on its behalf by:



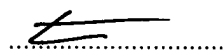
 Anastasios Symeonides
 Director

AXIOS SYSTEMS PLC**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2018**

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	11	5,389,407		4,733,364	
Tangible assets	12	1,711,306		1,667,769	
Investments	13	204,882		204,882	
			<u>7,305,595</u>		<u>6,606,015</u>
Current assets					
Debtors	15	7,050,537		5,511,915	
Cash at bank and in hand		2,057,863		2,972,618	
			<u>9,108,400</u>		<u>8,484,533</u>
Creditors: amounts falling due within one year	16	<u>(5,173,833)</u>		<u>(4,633,532)</u>	
Net current assets			<u>3,934,567</u>		<u>3,851,001</u>
Total assets less current liabilities			<u>11,240,162</u>		<u>10,457,016</u>
Creditors: amounts falling due after more than one year	17		(40,944)		(133,454)
Provisions for liabilities	19		(321,619)		(248,409)
Net assets			<u>10,877,599</u>		<u>10,075,153</u>
Capital and reserves					
Called up share capital	22		100,000		100,000
Profit and loss reserves	23		10,777,599		9,975,153
Total equity			<u>10,877,599</u>		<u>10,075,153</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £827,284 (2017 - £564,103 profit).

The financial statements were approved by the board of directors and authorised for issue on 29/3/19 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 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2016	100,000	4,200,957	4,300,957
Year ended 30 September 2017:			
Profit for the year	-	1,232,744	1,232,744
Other comprehensive income net of taxation: Currency translation differences	-	221,170	221,170
Total comprehensive income for the year	-	1,453,914	1,453,914
Balance at 30 September 2017	100,000	5,654,871	5,754,871
Year ended 30 September 2018:			
Profit for the year	-	104,189	104,189
Other comprehensive income net of taxation: Currency translation differences	-	29,463	29,463
Total comprehensive income for the year	-	133,652	133,652
Balance at 30 September 2018	100,000	5,788,523	5,888,523

AXIOS SYSTEMS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2016	100,000	9,411,050	9,511,050
Year ended 30 September 2017:			
Profit and total comprehensive income for the year	-	564,103	564,103
Balance at 30 September 2017	100,000	9,975,153	10,075,153
Year ended 30 September 2018:			
Profit for the year	-	827,284	827,284
Other comprehensive income net of taxation: Currency translation differences	-	(24,838)	(24,838)
Total comprehensive income for the year	-	802,446	802,446
Balance at 30 September 2018	100,000	10,777,599	10,877,599

AXIOS SYSTEMS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24		(219,485)		3,342,200
Interest paid			(199)		-
Income taxes refunded/(paid)			36,524		(49,394)
Net cash (outflow)/inflow from operating activities			(183,160)		3,292,806
Investing activities					
Purchase of intangible assets		(1,581,323)		(1,579,887)	
Purchase of tangible fixed assets		(156,014)		(83,127)	
Proceeds on disposal of tangible fixed assets		11,901		-	
Proceeds from other investments and loans		23,380		-	
Interest received		12,201		18,830	
Net cash used in investing activities			(1,689,855)		(1,644,184)
Net cash used in financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(1,873,015)		1,648,622
Cash and cash equivalents at beginning of year			5,840,324		3,970,532
Effect of foreign exchange rates			29,067		221,170
Cash and cash equivalents at end of year			3,996,376		5,840,324

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

Company information

Axios Systems Plc ("the company") is a public company limited by shares and is registered and incorporated in Scotland (SC113394). The registered office is Axios House, 60 Melville Street, Edinburgh, EH3 7HF.

The group consists of Axios Systems Plc and all of its subsidiaries.

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

Accounting convention

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 £.

The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- 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 these financial statements which 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.

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.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies (Continued)

Going concern

During the year the group made a profit before tax of £105,078 (2017: £1,282,403) and at the balance sheet date had net current liabilities of £744,900 (2017: net current assets of £34,454) and net assets of £5,888,523 (2017: £5,754,871). As highlighted in the strategic report this has been a year of investment as the systems moved to a new hosting platform which resulted in significant additional costs impacting on the result for the year and the year-end bank balance.

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

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

Turnover

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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies (Continued)

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.

Fixed asset 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.

Impairment of fixed assets

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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and 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.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies (Continued)

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies (Continued)

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 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.

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, associates, branches and interests in jointly controlled entities, 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.

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 stock or 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 its employees. The amount charged to profit or loss 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.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies (Continued)

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 exchange

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.

2 Judgements and key sources of estimation uncertainty

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. The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Development expenditure

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.

Accruals and provisions

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.

3 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of goods	6,307,466	6,214,972
Sale of services	13,977,249	14,632,369
	<u>20,284,715</u>	<u>20,847,341</u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Other revenue		
Interest income	12,201	18,830

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	5,690,006	5,811,653
Rest of World	14,594,709	15,035,688
	<u>20,284,715</u>	<u>20,847,341</u>

4 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Production	157	156	88	90
Administration	17	19	13	15
Management	15	11	13	10
	<u>189</u>	<u>186</u>	<u>114</u>	<u>115</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	12,282,836	11,870,232	6,007,121	5,847,349
Social security costs	720,295	698,010	629,274	624,274
Pension costs	546,812	586,870	304,650	309,302
	<u>13,549,943</u>	<u>13,155,112</u>	<u>6,941,045</u>	<u>6,780,925</u>

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>696,874</u>	<u>397,515</u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

5 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	411,260	238,143

It is considered that the group's key management personnel are the directors. The above directors' remuneration of £696,874 is inclusive of employers national insurance contributions of £82,131.

6 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	79,407	(67,503)
Research and development costs	651,138	589,846
Depreciation of owned tangible fixed assets	89,760	124,578
Profit on disposal of tangible fixed assets	(11,901)	-
Amortisation of intangible assets	925,280	718,273
Operating lease charges	643,395	577,638

7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	35,150	33,800
For other services		
Taxation compliance services	9,000	8,600
Other taxation services	1,650	-
All other non-audit services	4,880	4,700
	15,530	13,300

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	8,257	18,830
Other interest income	3,944	-
Total income	12,201	18,830

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	22	-
Other interest	177	-
	<u> </u>	<u> </u>
Total finance costs	199	-
	<u> </u>	<u> </u>

10 Taxation

	2018	2017
	£	£
Current tax		
Adjustments in respect of prior periods	156	(29,035)
Foreign current tax on profits for the current period	13,564	16,954
Adjustments in foreign tax in respect of prior periods	5,105	701
	<u> </u>	<u> </u>
Total current tax	18,825	(11,380)
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(17,936)	56,752
Adjustment in respect of prior periods	-	4,287
	<u> </u>	<u> </u>
Total deferred tax	(17,936)	61,039
	<u> </u>	<u> </u>
Total tax charge for the year	889	49,659
	<u> </u>	<u> </u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	105,078	1,282,403
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	19,965	250,069
Tax effect of expenses that are not deductible in determining taxable profit	(49,574)	193,076
Tax effect of utilisation of tax losses not previously recognised	(710)	(364,357)
Unutilised tax losses carried forward	179,336	24,707
Adjustments in respect of prior years	5,261	(24,046)
Effect of change in corporation tax rate	(13,000)	36,143
Permanent capital allowances in excess of depreciation	-	65,406
Research and development tax credit	(155,376)	(148,629)
Other permanent differences	(559)	(1,389)
Other fixed asset differences, adjustments and movements	1,982	2,034
Overseas tax	13,564	16,954
Other short term timing differences	-	(309)
Taxation charge for the year	889	49,659

At the year end the group had unrelieved tax losses totalling £4,972,281 (2017: £4,297,177).

11 Intangible fixed assets

Group	Goodwill £	Development costs £	Total £
Cost			
At 1 October 2017	190,774	6,427,755	6,618,529
Additions - internally developed	-	1,581,323	1,581,323
At 30 September 2018	190,774	8,009,078	8,199,852
Amortisation and impairment			
At 1 October 2017	190,774	1,694,391	1,885,165
Amortisation charged for the year	-	925,280	925,280
At 30 September 2018	190,774	2,619,671	2,810,445
Carrying amount			
At 30 September 2018	-	5,389,407	5,389,407
At 30 September 2017	-	4,733,364	4,733,364

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 Intangible fixed assets (Continued)

Company	Development costs
	£
Cost	
At 1 October 2017	6,427,755
Additions - internally developed	1,581,323
	<hr/>
At 30 September 2018	8,009,078
	<hr/>
Amortisation and impairment	
At 1 October 2017	1,694,391
Amortisation charged for the year	925,280
	<hr/>
At 30 September 2018	2,619,671
	<hr/>
Carrying amount	
At 30 September 2018	5,389,407
	<hr/> <hr/>
At 30 September 2017	4,733,364
	<hr/> <hr/>

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

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

12 Tangible fixed assets

Group	Freehold property £	Plant and machinery £	Equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2017	1,738,105	85,887	756,056	67,408	2,647,456
Additions	-	2,558	153,456	-	156,014
Disposals	-	-	-	(30,643)	(30,643)
Exchange adjustments	-	1,676	296	2,333	4,305
At 30 September 2018	1,738,105	90,121	909,808	39,098	2,777,132
Depreciation and impairment					
At 1 October 2017	166,856	79,623	616,130	67,408	930,017
Depreciation charged in the year	10,429	6,830	72,501	-	89,760
Eliminated in respect of disposals	-	-	-	(30,643)	(30,643)
Exchange adjustments	-	1,511	65	2,333	3,909
At 30 September 2018	177,285	87,964	688,696	39,098	993,043
Carrying amount					
At 30 September 2018	1,560,820	2,157	221,112	-	1,784,089
At 30 September 2017	1,571,249	6,264	139,926	-	1,717,439
Company			Freehold property £	Equipment £	Total £
Cost					
At 1 October 2017			1,738,105	518,283	2,256,388
Additions			-	107,644	107,644
Exchange adjustments			-	(1,560)	(1,560)
At 30 September 2018			1,738,105	624,367	2,362,472
Depreciation and impairment					
At 1 October 2017			166,856	421,763	588,619
Depreciation charged in the year			10,429	53,788	64,217
Exchange adjustments			-	(1,670)	(1,670)
At 30 September 2018			177,285	473,881	651,166
Carrying amount					
At 30 September 2018			1,560,820	150,486	1,711,306
At 30 September 2017			1,571,249	96,520	1,667,769

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	204,882	204,882

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 October 2017 and 30 September 2018	505,768
Impairment	
At 1 October 2017 and 30 September 2018	300,886
Carrying amount	
At 30 September 2018	204,882
At 30 September 2017	204,882

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

14 Subsidiaries

Details of the company's subsidiaries at 30 September 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Axios Systems GmbH	47 Berg Am Lain Strasse, Munich 80336, Germany	Software and services	Ordinary	100	
Axios Systems Inc	2411 Dulles Corner Park, Suite 475, Herndon, Virginia 20171, United States	Software and services	Ordinary	100	
Axios Systems Pty Ltd	Suite 1014, 1015 & 1016, 401 Docklands Drive, Docklands 3008, Melbourne, Australia	Software and services	Ordinary	100	
Axios Systems LLC	Millennium House, Trubnaya Str 12, Fourth Floor, 107045 Moscow, Russia	Software and services	Ordinary	100	
Axios Systems FZ LLC	Suite 603, Arjaan Office Tower, Dubai Media City, PO Box 502381, Dubai	Software and services	Ordinary	100	
Axios Systems (Cyprus) Ltd	5th floor, Apt 501, Kostas, Michides Building, 4 Agias Elenis, 1060 Nicosia, Cyprus	Dormant	Ordinary	100	
Axios Sytems S.R.L	8 Via Alberico Albricci, 20122 Milano, Italy	Software and services	Ordinary	100	

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

15 Debtors

	Group 2018	2017	Company 2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	4,594,916	3,448,213	1,946,351	595,148
Corporation tax recoverable	16,524	67,755	439	22,301
Amounts owed by group undertakings	-	-	4,496,042	4,143,679
Other debtors	301,932	261,955	54,468	55,680
Prepayments and accrued income	787,098	518,262	462,091	695,107
	<u>5,700,470</u>	<u>4,296,185</u>	<u>6,959,391</u>	<u>5,511,915</u>
Deferred tax asset (note 19)	91,146	-	91,146	-
	<u>5,791,616</u>	<u>4,296,185</u>	<u>7,050,537</u>	<u>5,511,915</u>

16 Creditors: amounts falling due within one year

	Group 2018	2017	Company 2018	2017
Notes	£	£	£	£
Trade creditors	463,056	397,433	265,436	189,773
Amounts due to group undertakings	-	-	221,603	291,638
Corporation tax payable	41,627	37,509	10,570	-
Other taxation and social security	703,952	480,703	392,938	267,582
Deferred income	20 7,984,860	7,756,546	3,570,704	3,120,838
Other creditors	245,815	404,889	217,981	387,174
Accruals	1,093,582	1,024,975	494,601	376,527
	<u>10,532,892</u>	<u>10,102,055</u>	<u>5,173,833</u>	<u>4,633,532</u>

17 Creditors: amounts falling due after more than one year

	Group 2018	2017	Company 2018	2017
Notes	£	£	£	£
Deferred income	20 218,454	481,977	40,944	133,454
	<u>218,454</u>	<u>481,977</u>	<u>40,944</u>	<u>133,454</u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

18 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,064,986	3,757,579	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	1,761,252	1,345,320	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

19 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Group				
Accelerated capital allowances	321,619	249,026	-	-
Tax losses	-	-	70,558	-
Short term timing differences	-	-	20,588	617
	<u>321,619</u>	<u>249,026</u>	<u>91,146</u>	<u>617</u>

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Company				
Accelerated capital allowances	321,619	249,026	-	-
Tax losses	-	-	70,558	-
Short term timing differences	-	-	20,588	617
	<u>321,619</u>	<u>249,026</u>	<u>91,146</u>	<u>617</u>

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 October 2017	248,409	248,409
Credit to profit or loss	(17,936)	(17,936)
Liability at 30 September 2018	<u>230,473</u>	<u>230,473</u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

19 Deferred taxation (Continued)

The deferred tax asset of £91,146 is expected to reverse within 12 months and relates to unused tax losses and disallowable provisions. The deferred tax liability of £321,619 relates to fixed asset timing differences, none of which is expected to reverse in the next 12 months.

20 Deferred income

	Group 2018 £	2017 £	Company 2018 £	2017 £
Other deferred income	8,203,314	8,238,523	3,611,648	3,254,292

Deferred income is included in the financial statements as follows:

Current liabilities	7,984,860	7,756,546	3,570,704	3,120,838
Non-current liabilities	218,454	481,977	40,944	133,454
	<u>8,203,314</u>	<u>8,238,523</u>	<u>3,611,648</u>	<u>3,254,292</u>

21 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	546,812	586,870

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the year end the group had unpaid pension commitments of £41,201 (2017: £6,198) included in other creditors.

22 Share capital

	Group and company 2018 £	2017 £
Ordinary share capital Issued and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

Shareholders are entitled to one vote per share held.

23 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

24 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	104,189	1,232,744
Adjustments for:		
Taxation charged	889	49,659
Finance costs	199	-
Investment income	(12,201)	(18,830)
Gain on disposal of tangible fixed assets	(11,901)	-
Amortisation and impairment of intangible assets	925,280	718,273
Depreciation and impairment of tangible fixed assets	89,760	124,578
Movements in working capital:		
(Increase)/decrease in debtors	(1,478,896)	2,745,578
Increase/(decrease) in creditors	163,196	(1,509,802)
Cash (absorbed by)/generated from operations	(219,485)	3,342,200

25 Financial commitments, guarantees and contingent liabilities

A claim has been received by one customer regarding alleged software functionality. The company is still investigating and seeking legal advice on the value and validity of the claim in line with contractual terms and as such the financial effect and any timing thereof cannot be determined at this stage. Consequently, no provision has been made in the company's financial statements and these two aspects cannot be disclosed.

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	479,828	430,621	93,103	86,949
Between one and five years	636,215	263,552	105,796	18,118
	<u>1,116,043</u>	<u>694,173</u>	<u>198,899</u>	<u>105,067</u>

AXIOS SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

27 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Remuneration and advances	
	2018	2017
	£	£
Group		
Key management personnel with control, joint control or significant influence over the company	719,451	751,528

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018	2017
	£	£
Group		
Key management personnel with control, joint control or significant influence over the group	35,883	244,558

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2017
	Balance
	£
Group	
Key management personnel with control, joint control or significant influence over the group	24,235

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

The remuneration of the directors who are considered to be the key management personnel is shown in note 5 to the accounts. The above figures include advances of £619 (2017: £27,284) made to the company's directors during the year, all of which was outstanding at the year end.

28 Controlling party

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